

CITY OF REDMOND, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

PREPARED BY THE FINANCE DEPARTMENT

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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redmond,
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF REDMOND ELECTED OFFICIALS



MAYOR
Rosemarie M. Ives



Rosemarie M. Ives

COUNCIL



Richard Cole
President



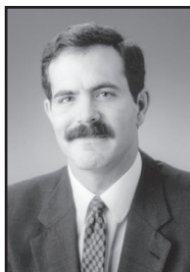
Holly Plackett
Vice President



Sharon Dorning



Nancy McCormick



Greg Misenar



Thomas Paine



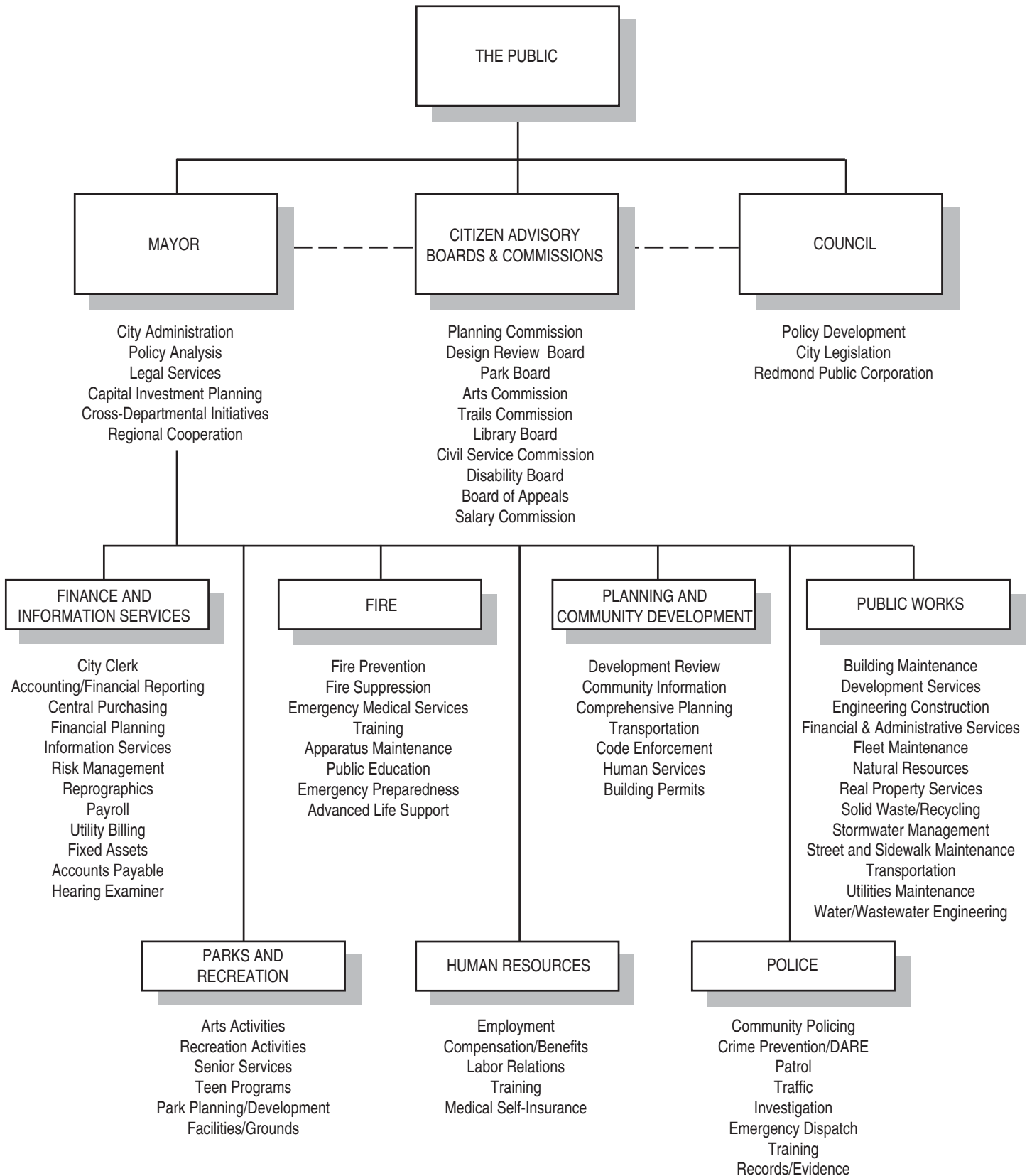
Jim Robinson

EXECUTIVE STAFF AND LEGAL COUNSEL

Assistant to the Mayor
Finance and Information Services Director
Fire Chief
Human Resources Director
Parks and Recreation Director
Planning and Community Development Director
Police Chief
Public Works Director
City Attorney
Bond Attorney
Prosecutor

Jane Christenson
Lenda Crawford
John Ryan
Kerry Sievers
Daniel Hopkins
Roberta Lewandowski
Steven R. Harris
David Rhodes
James Haney, Ogden Murphy Wallace
Gottlieb, Fisher & Andrews
Richard L. Mitchell

CITY OF REDMOND ORGANIZATIONAL STRUCTURE



June 20, 2004

To the Citizens of Redmond, Washington:

The Comprehensive Annual Financial Report of the City of Redmond for the fiscal year ended December 31, 2003, is submitted herewith. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with city management.

The report was prepared by the City's Finance Department in accordance with generally accepted accounting principles (GAAP) and is intended to provide sufficient information to permit the assessment of stewardship and accountability, to demonstrate legal compliance, and to provide management control.

The report includes all funds, account groups, agencies, and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments. Included as part of the reporting entity is the Redmond Public Corporation, over which the City Council has control.

Cities and counties of the State of Washington must comply with the Budgeting, Accounting and Reporting System (BARS) prescribed by the Office of the State Auditor. State law also provides for an annual independent audit by the Office of the State Auditor and requires timely submission of annual financial reports to the State for review.

As a recipient of federal, state, and county financial assistance the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Budget Circular A-133, *Audits of State and Local Governments*. This audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. The results of the City's single annual audit for the fiscal year ended December 31, 2003 provided no instances of material

weaknesses in the internal control structure or significant violations of applicable laws and regulations.

In developing and evaluating the City's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization and procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

Transactions are executed in accordance with management's general or specific authorization.

Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with GAAP, or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.

Access to assets is permitted only in accordance with management's authorization.

The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The definition of accounting control assumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and

should be read in conjunction with it. The City of Redmond's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

Redmond is a non-charter code city, operating under Section 35A of the Revised Code of Washington. It has a Mayor/Council form of government. The Mayor and the seven member City Council are elected for staggered four-year terms and are elected at-large, rather than by district. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the city.

The City of Redmond provides a full range of municipal services, including police and fire, emergency medical services, planning and zoning, street maintenance and construction, parks and recreation, and general administrative services. The City operates enterprise funds for water and wastewater services and stormwater management.

The City prepares budgets on the modified accrual basis in accordance with the Revised Code of Washington (RCW) 35A.33. Biennial budgets are adopted by the City Council for funds providing customary government services. Each biennium begins with an odd numbered year. Reviews are conducted at mid-biennium and any changes for the second half of the biennium are adopted by the City Council.

The LID Control and LID Guaranty Debt Service Funds and custodial agency funds, however, are not budgeted. Enterprise and internal service fund budgets are for management control only and are, therefore, not included in this report.

A budget increase or decrease to a fund must be authorized by the City Council, while appropriation changes within a fund may be authorized by the Mayor. All budgets are controlled on a departmental basis. Estimated purchase order amounts are encumbered prior to the release of the order to the supplier. Such encumbrances also serve to provide an additional measure of budgetary control. Open encumbrances are canceled at

the end of the biennium and must be reappropriated in the next biennium's operating budget.

Incorporated in 1912, Redmond is the fifteenth largest city in the state of Washington encompassing an area of 16.64 square miles east of downtown Seattle on the east side of Lake Washington. Redmond has grown from a population of 1,453 in 1960 to a 2003 population of 46,480.

Factors Affecting Financial Condition

Information presented in the financial statements is best considered in the broader context of the economic environment in Redmond and the surrounding area.

Local Economy

Redmond has undergone a number of dramatic changes in the past twenty years. A small town that had its origins in logging and farming has evolved into a city of high tech and light manufacturing, business parks, and an expanding retail core. It has become an employment center that has attracted many new and growing companies. Microsoft, the largest high tech employer in Redmond, continued to grow, albeit at a much slower rate during the recent downturn, which helped to stabilize the local economy. In addition, 2003 saw the opening of Bon-Macy's and Cost Plus Imports at Redmond Town Center. Other employers with a significant presence in Redmond include Safeco Insurance, Home Depot, Fred Meyer, United Parcel Service, and the Lake Washington School District, headquartered at Redmond Town Center.

The decade of the 1990's, particularly the latter half, brought unprecedented growth to Redmond. By the end of the decade, 87% of the commercial growth target for 2012, set in the mid 1990's, had been reached. The city was challenged during this growth spurt to keep up with its infrastructure and service needs. 2001 brought an economic slowdown to Redmond and the rest of the country which still lingered by the end of 2003.

While the overall weak economy and employment market pose challenges for Redmond in the short term, the long term outlook for the city is bright. Redmond has a strong, diversified economic environment and an educated labor force set in an attractive physical location. The city is known throughout the Pacific Northwest as a great place to raise a family and expand a business. Despite the changes brought about by twenty years of rapid growth, Redmond has continued to value its unique natural environment. The result is a community whose economy

is based upon high technology and light industry, where neighborhoods, parks and businesses fit together.

Long-term Financial Planning

Redmond is in a continuous process of both short-term and long-term financial planning. Short-term financial planning is inherent in the development of the city's biennial budget. Concurrent with the biennial budget, the city's long-term capital needs and potential funding sources are assessed. Redmond is also in the process of updating its Comprehensive Master Plan, which outlines how the City should look and function in twenty years and creates a vision that can be realistically implemented. An integral part of this vision is determining how to allocate the City's financial resources to achieve the desired goals.

Several long-term capital projects are underway or recently completed in Redmond. One of the most significant is the City Campus Project to address the shortage of work space for city staff. The city entered into a financing arrangement in April 2004 to build a new City Hall that will consolidate city staff from six buildings to one building, providing more centralized and efficient services to its citizens.

Redmond's parks are highly appreciated and well used by citizens and visitors alike. Newly developed Perrigo Park opens in spring of 2004 with athletic fields, open space, and a peripheral buffer area while Juel Park is scheduled to add disc golf and cricket to its natural spaces and trails in 2004. Community meetings to garner ideas from citizens for additional activities at Idylwood, the city's premier beachfront park on Lake Sammamish, are being held at various city locations in 2004. Portions of the Bear and Evans Creek trail and greenway recently opened as another leg to creating a complete loop of trails around the city. All of these projects and others planned for the future require the city to search for creative funding sources to augment the bonds, grants, taxes, and impact fees currently earmarked for park acquisition and development.

Providing a sufficient, reliable source of drinking water for future city needs at a reasonable cost was the impetus for the city joining the Cascade Water Alliance (CWA) in partnership with seven other local entities. The CWA will provide for existing and future water needs beyond the current fifty year agreement with Seattle Public utilities. Beginning in 2004, the city and the seven other CWA entities will purchase water through the CWA rather than directly from Seattle. The CWA is developing

other water supply source options and intends to lessen its dependence on Seattle Public Utilities for water in future years.

Transportation improvements are ongoing with phase 2 of the West Lake Sammamish Parkway widening in full swing at the end of 2003. This project adds two traffic lanes and a bike lane to the primary north/south traffic route into and out of the southwest side of downtown Redmond.

As Redmond moves forward, economic indicators will be continually monitored and adjustments to city spending and services made to maintain the city's financial health. At the same time, long-term plans are focused on ensuring an economically strong and viable city.

Cash Management

The City invests only in securities authorized by State law, and primarily purchases certificates of deposit and obligations of both the U.S. Government and government sponsored agencies. As stated in the City's investment policy, the primary objectives of investment activities are safety, liquidity, then yield.

The safety of the City's investment portfolio is provided through the diversification and quality of investments purchased, as well as the use of a delivery-versus-payment method for settlement of any transactions. To further ensure the safety of the City's investments, all securities are held and transactions processed by the custodial agent, Union Bank of California.

Liquidity is maintained by attempting to match investment maturities with cash flow requirements, limiting maturities to five years for general operating funds, and keeping a balance in the Local Government Investment Pool sufficient to meet short-term obligations. The Local Government Investment Pool is a state-managed account, which provides local governments with an efficient way to invest short-term and offers almost immediate cash availability. It operates similarly to a commercial money market account.

Yield is considered after safety and liquidity requirements have been met. The City's yield objective is to obtain at least a market rate of return. The basis used to determine whether market yields are being achieved is a comparison between the two year average of the two year Treasury Note and the average rate of return on the City's portfolio.

Risk Management

The City's Risk Manager develops and implements risk management policies and programs to establish a clearly defined risk management structure. The primary goal is to control the City's risk exposures and losses in order to protect the City's financial resources, ensure employees, citizens and visitors a safe environment in which to work and live, and to reduce the cost of insurance. As part of this goal, self-insurance is currently utilized as an alternative to conventional insurance in the areas of health care, Workmen's Compensation and establishing the deductible for property losses. The Risk Manager considers available financial resources and purchases insurance for appropriate excess protection. The Risk Manager also serves as a general advisor to all departments on risk management issues such as identifying and evaluating potential risks, providing employee accident control training, loss reporting and addressing City Safety Committee concerns.

Other Information

Independent Audit

State statute requires an annual audit by the Washington State Auditor's Office. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and related Office of Management and Budget Circular A-133. The auditor's opinion letter on the general-purpose financial statements is included in the financial section of this report. The complete auditor's report is available at the Redmond City Clerk's office.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redmond for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002. This was the eighteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the Finance Department. I would like to express my appreciation to my staff and other personnel from various departments and agencies who assisted in its preparation. Also, I would like to thank the Mayor and the City Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,

Lenda Crawford
Finance Director

FINANCIAL SECTION



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Brian Sonntag

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INDEPENDENT AUDITOR'S REPORT

June 18, 2004

Mayor and City Council, King County, Redmond, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redmond, King County, Washington, as of and for the year ended 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our financial audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type, each major fund, and the aggregate remaining fund information of the City of Redmond, King County, Washington, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, during the year ended December 31, 2003, the City has implemented Governmental Accounting Standard's Board Statement 40, Deposit and Investment Risk Disclosures.

The Management's Discussion and Analysis on pages 11 through 24, and pension trust fund information on page 69, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial information listed as combining financial statements and supplemental information on pages 73 through 117 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements and supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis section of the City of Redmond's annual financial report provides a narrative overview of the city's financial activities for and financial position at the end of December 31, 2003. This information should be read in conjunction with the preceding letter of transmittal and the financial statements and notes to the financial statements that follow.

Financial Highlights

- Net assets, the amount by which total assets exceed total liabilities, equaled \$413,929,255 in 2003. A total of 76% or \$316,232,202 of total net assets is invested in capital assets such as streets, land, buildings, and utility pipes. Of the remaining net assets of \$97,697,053, the majority are legally restricted, reserved by city policy for specific purposes, or are the net assets of business-type activities restricted for use by the city's utilities.

The city's net assets increased by \$31,180,728 in 2003 which included increases in some segments of net assets and decreases in other segments. The overall increase was split almost equally between governmental activities and business-type activities at \$15,627,211 and \$15,553,517, respectively. Capital assets comprised \$33,088,289 of the total increase with \$10,201,376 of this amount contributed by developers and King County.

In the governmental activities category, non-capital invested net assets for 2003 decreased \$3,040,938 or 4.3% from 2002 with restricted and reserved net assets dropping \$3,312,091 while unreserved net assets rose \$271,153. Non-capital related net assets in the business-type activities category increased \$1,133,377 or 3.9% between 2002 and 2003.

- Governmental fund balances at year end were \$64,175,506, a decrease of \$2,885,448 or 4.3% from the prior year. Of this amount, \$5,308,926 is unreserved and available to fund ongoing activities. \$1,593,045 is legally restricted for debt service and the remaining \$57,273,535 is legally restricted or reserved by city policy for capital projects (\$35,773,405) or Special Revenue Fund purposes (\$21,500,130).

- Unreserved fund balance in the general fund was \$5,285,486, an increase of \$271,073 from the prior year. An additional fund balance of \$4,493,790 is available in the operating reserve fund to provide the capacity to offset significant downturns and revisions in any general municipal purpose fund in accordance with the city's operating reserve policy.
- Total city debt, excluding special assessment debt, decreased \$2,307,937 from 2002 to 2003. Outstanding bonded debt, loans, and long term contracts at year end totaled \$15,833,554.

Overview of the Financial Statements

The city's basic financial statements are presented in three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information in addition to the basic financial statements is also contained in this report. This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to give the reader a picture of the financial condition and activities of the city as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the city include general government (finance, executive, human resources), security (police and fire), physical environment, economic environment, transportation, mental/physical health, and culture and recreation. The city's business-type activities are limited to water/wastewater and stormwater utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

The *statement of net assets* presents information on all of the City of Redmond's assets and liabilities, highlighting the difference between the two as net assets. This

statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net assets may be one indicator of improvement or deterioration in the city's overall financial health.

The *statement of activities* presents information designed to show how the city's net assets changed during the year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the city's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Redmond, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The city's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near term revenues/financial resources and expenditures while the government-wide financial

statements include both near term and long term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the city's near term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long term impact of the city's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

The City of Redmond maintains twenty-four individual governmental funds. The city's three major governmental funds, the general fund, the LID control fund, and the capital improvements program fund are presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in combining statements later on in this report.

The city maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for the general fund as a basic financial statement. Other budgetary comparison schedules are included following the other governmental funds' combining statements in this report.

Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Redmond has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various city departments.

Enterprise funds of the city are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-

wide statements. The enterprise fund statements provide separate information for the city's water/wastewater utility, an Urban Planned Development (UPD) water/wastewater utility outside the city limits, and the city's stormwater utility.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the city's various functions. The city uses internal service funds to account for its fleet of vehicles, insurance premiums and claims, medical self-insurance, workmen's compensation self-insurance program, and information technology. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities. Internal service fund assets and liabilities are predominantly governmental and have been included in the governmental activities column of the government-wide statement of net assets.

Fiduciary funds account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City of Redmond's activities.

The city has two types of fiduciary funds, a pension fund and agency funds. The accounting for the pension fund is on the accrual basis. Agency funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

Notes to the financial statements

The notes to the financial statements provide additional information that is important to a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain ***required supplementary information*** concerning the city's progress in funding its obligation to provide pension benefits to certain retired firefighters. Required supplementary information may be found immediately following the notes to the financial statements.

The combining statements for other governmental funds, internal service funds, and agency-type fiduciary funds

are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Statement of net assets

The statement of net assets can serve as a useful indicator of the city's financial position. The City of Redmond's net assets at December 31, 2002 and 2003 total \$382,748,527 and \$413,929,255, respectively. Following is a condensed version of the government-wide statement of net assets for 2003 compared to 2002.

City of Redmond's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 84,222,468	\$ 86,618,096	\$ 34,339,626	\$ 33,059,419	\$118,562,094	\$119,677,515
Capital assets, net of accumulated depreciation	181,981,391	162,969,952	150,447,478	138,644,633	332,428,869	301,614,585
Total assets	266,203,859	249,588,048	184,787,104	171,704,052	450,990,963	421,292,100
Long-term liabilities	19,515,720	18,916,538	1,054,143	3,796,904	20,569,863	22,713,442
Other liabilities	12,874,944	12,485,526	3,616,901	3,344,605	16,491,845	15,830,131
Total liabilities	32,390,664	31,402,064	4,671,044	7,141,509	37,061,708	38,543,573
Net assets						
Invested in capital assets, net of related debt	166,566,041	147,897,892	149,666,161	135,246,021	316,232,202	283,143,913
Restricted	40,885,464	43,477,756	-	1,004,650	40,885,464	44,482,406
Unrestricted	26,361,690	26,810,336	30,449,899	28,311,872	56,811,589	55,122,208
Total net assets	<u>\$233,813,195</u>	<u>\$218,185,984</u>	<u>\$180,116,060</u>	<u>\$164,562,543</u>	<u>\$413,929,255</u>	<u>\$382,748,527</u>

The largest component of the city's net assets, 76% or \$316,232,202, is its investment in capital assets less any related outstanding debt issued to acquire those assets. These capital assets such as streets, trails, parks, fire and police vehicles, are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. The city has elected the GASB 34 reporting option to include all general infrastructure of the city acquired or substantially renovated since 1980.

Approximately 8.6% or \$35,773,405 of the total net assets of the city are earmarked for general government construction projects such as renovation and construction of sports fields in city parks, widening and rehabilitation of West Lake Sammamish Parkway, construction of a new City Hall, and construction of a new fire station on Education Hill. The city attempts to fund its capital construction projects on a pay as you go basis, aggressively pursuing transportation grant funding and cost sharing with developers wishing to construct large projects in the city that impact the transportation system.

The remaining \$61,923,648 balance of net assets is divided among net assets restricted for debt service payments of \$1,593,045 (.3% of total net assets), net assets restricted for special purposes of \$3,519,014 and net assets intended to fund various activities of the city. The \$3,519,014 of net assets restricted for special purposes are designated to fund activities such as advanced life support services, tourism activities, park maintenance and operation, and capital construction transfers.

A total of \$30,449,899 represents the unrestricted net assets of the city's business-type activities and may only be spent on water/wastewater and stormwater utility activities. Maintenance of utility delivery systems (water lines, pump stations, wells), storm drain flushing, water meter reading, and capital construction projects such as well rehabilitation are examples of utility activities.

Of the \$26,361,690 in funds not subject to legal restrictions, \$21,076,204 is reserved for specific activities by city policy. Examples of the net assets reserved by city policy are funds earmarked for equipment replacement, rainy day funds, recreation activities, recycling, and transportation flow improvements. \$5,285,486 of the city's net assets are unreserved.

At the end of the fiscal year, the City of Redmond reported positive balances in all three categories of net

assets, for the government as a whole, as well as for the separate governmental and business-type activities.

Changes in net assets

The changes in net assets table illustrates the increases or decreases in net assets of the city resulting from its operating activities. The City of Redmond's net assets increased approximately \$31.2 million in 2003. The increase was split almost equally between the government activities (\$15.6 million) and the business-type activities (\$15.5 million).

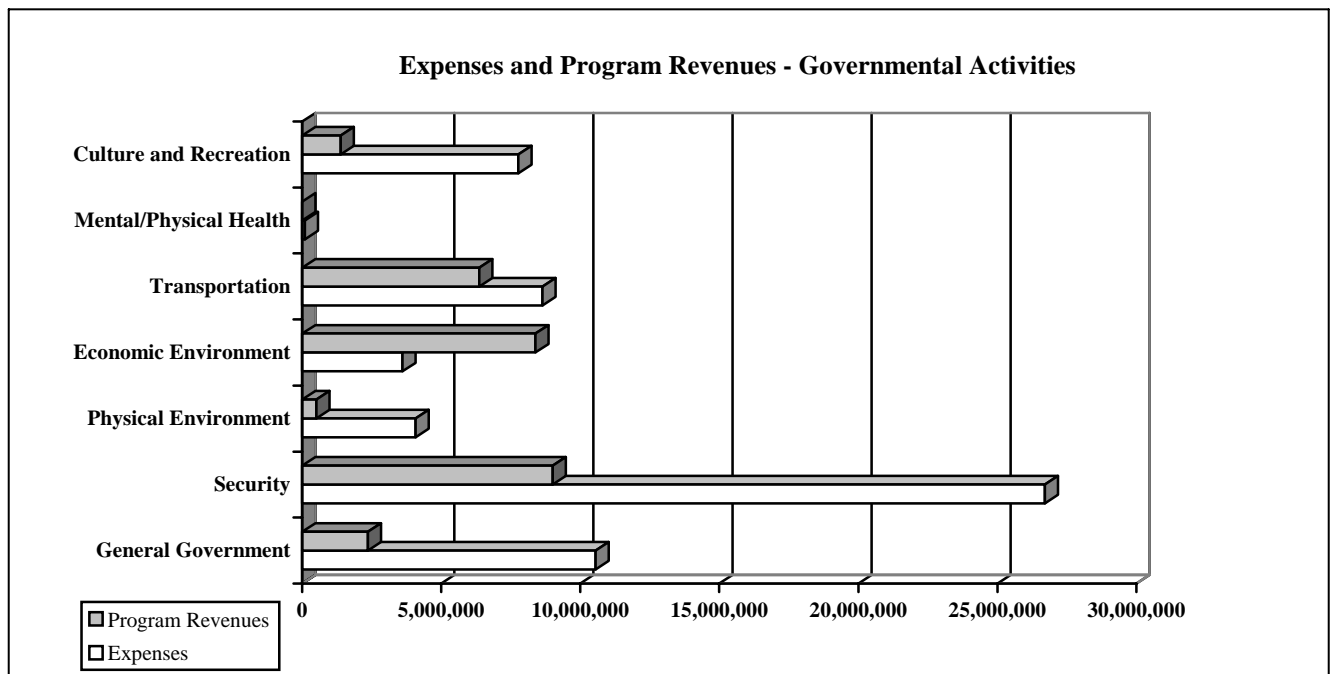
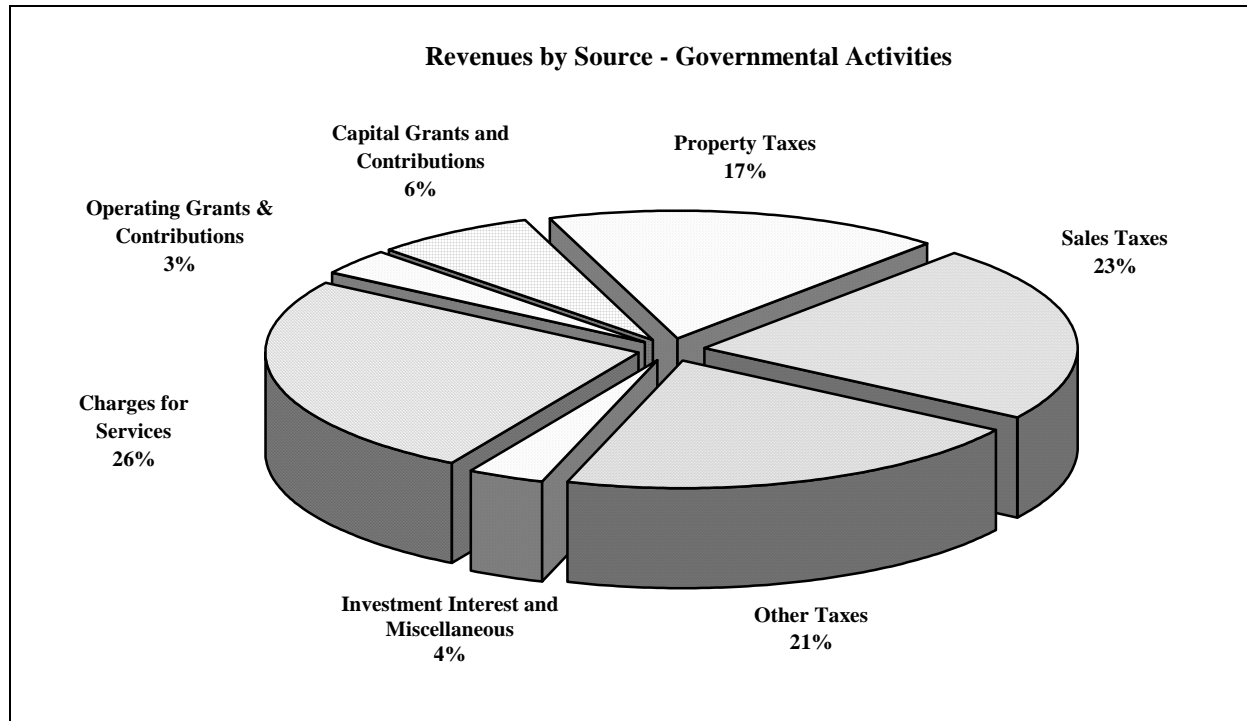
Following is a condensed version of the city's changes in net assets. The table shows the revenues, expenses, and related changes in net assets in tabular form for the governmental activities separate from the business-type activities for 2002 and 2003. The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities for 2003.

City of Redmond's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues						
Charges for services	\$ 20,051,614	\$ 14,355,237	\$ 27,490,112	\$ 25,644,676	\$ 47,541,726	\$ 39,999,913
Operating grants and contributions	2,588,695	1,969,740	1,285	-	2,589,980	1,969,740
Capital grants and contributions	5,380,558	9,615,994	12,651,443	19,078,302	18,032,001	28,694,296
General revenues						
Property taxes	13,298,157	12,973,803	-	-	13,298,157	12,973,803
Sales taxes	17,575,204	15,904,505	-	-	17,575,204	15,904,505
Other taxes	16,163,612	15,117,493	-	-	16,163,612	15,117,493
Investment interest	1,681,065	3,051,634	767,170	1,134,803	2,448,235	4,186,437
Miscellaneous	916,382	285,109	48,245	53,798	964,627	338,907
Total revenues	77,655,287	73,273,515	40,958,255	45,911,579	118,613,542	119,185,094
Expenses:						
General government	10,554,145	10,412,581	-	-	10,554,145	10,412,581
Security	26,710,617	23,486,809	-	-	26,710,617	23,486,809
Physical environment	4,074,430	3,875,341	-	-	4,074,430	3,875,341
Economic environment	3,602,868	3,017,641	-	-	3,602,868	3,017,641
Transportation	8,633,148	7,346,632	-	-	8,633,148	7,346,632
Mental/physical health	87,644	85,237	-	-	87,644	85,237
Culture and recreation	7,779,409	7,034,484	-	-	7,779,409	7,034,484
Interest on long term debt	747,107	910,211	-	-	747,107	910,211
Water/wastewater	-	-	18,323,044	17,286,285	18,323,044	17,286,285
UPD water/wastewater	-	-	2,121,347	1,621,951	2,121,347	1,621,951
Stormwater	-	-	4,799,055	3,937,122	4,799,055	3,937,122
Total expenses	62,189,368	56,168,936	25,243,446	22,845,358	87,432,814	79,014,294
Increases in net assets before transfers and special items	15,465,919	17,104,579	15,714,809	23,066,221	31,180,728	40,170,800
Transfers	161,292	15,717	(161,292)	(15,717)	-	-
Special items	-	-	-	(637,356)	-	(637,356)
Increase in net assets	15,627,211	17,120,296	15,553,517	22,413,148	31,180,728	39,533,444
Net assets – beginning	218,185,984	201,065,688	164,562,543	142,223,932	382,748,527	343,289,620
Prior period adjustment	-	-	-	(74,537)	-	(74,537)
Net assets - ending	\$233,813,195	\$218,185,984	\$180,116,060	\$164,562,543	\$413,929,255	\$382,748,527

Governmental activities contributed \$15,627,211 of the total change in net assets of \$31,180,728. Key elements of the increase are as follows:

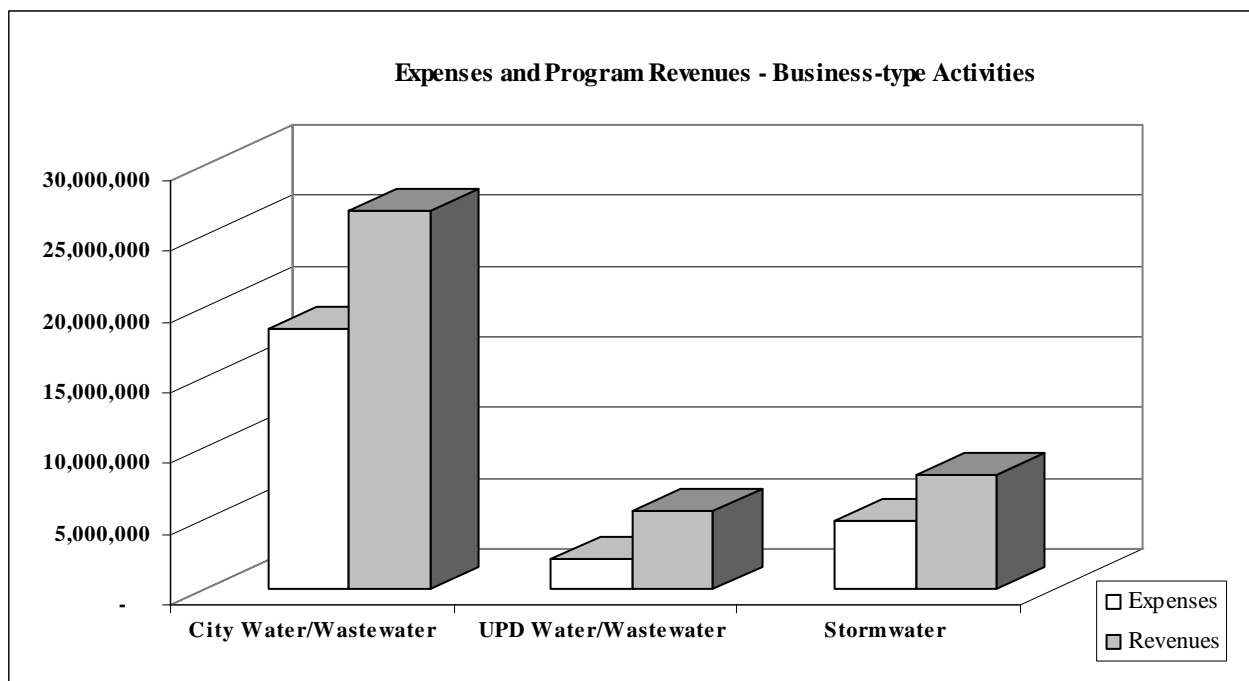
- The city's investment in capital assets increased \$18,668,149 from 2002 to 2003. For the same period, the net assets restricted for capital expenses decreased \$4,024,230. The resulting net change in net assets earmarked for capital purposes was an increase of \$14,643,919. Revenues to fund capital assets are recorded as program or general revenues in the statement of activities. The associated construction expenses are not recorded as expenses in the year of construction but rather are allocated to expense over the lives of the assets through depreciation expense.
- The remaining components of net assets increased by a modest 3% or \$983,292 from 2002 to 2003. Ongoing revenue sources to fund basic city operations remained relatively flat in 2003. Cognizant of the low growth in revenues available to fund ongoing activities, the city was aggressive in limiting its operating expenses and ended 2003 in a positive position. Although the city's total net assets outside of capital assets changed very little specific revenues and expenses did experience fluctuations.
- Three of the city's general government revenue sources provided one-time or new ongoing revenues in 2003. The first one-time revenue for 2003 came from sales taxes, the city's largest single revenue source, at approximately one third of general revenues. The city received a one-time sales tax audit adjustment of \$1.5 million in 2003 resulting from an ongoing audit of sales taxes paid by Redmond businesses. Absent this one time adjustment, sales tax revenue would have increased only 1% from 2002 to 2003. The second one-time revenue received in 2003 resulted from a settlement related to a new cable access contract the city entered into on January 1, 2003. The cable access provider paid the city a settlement of \$505,905 from prior contract issues and contributed \$343,697 for various contract related capital and operating expenses.
- The city also began receiving new ongoing revenue in 2003 when Redmond assumed responsibility for providing advanced life support (ALS) services to several East King County cities and surrounding areas. The service is funded by an Emergency Services levy that generated approximately \$3 million in revenue. Although this revenue source contributed to the overall revenues of the city, expenses of providing ALS services were also approximately \$3 million resulting in very little change to the net assets of the city's governmental activities from this revenue source.
- Three revenue sources used to fund ongoing city operations experienced significant decreases in 2003. Development fees, including permits and inspections, declined \$1.2 million or 38% in 2003 due to weakness in commercial and multi-family construction projects. A second declining revenue source in 2003 was interest revenue on the city's investments, down \$1.37 million from 2002. Interest rates were lower and the city had less cash available to invest as the city moves ahead with spending on much needed capital projects. The third significant decrease for 2003 was the loss of approximately \$400,000 in motor vehicle excise tax from the State due to voter-approved Initiative 776 that repealed the local option vehicle license fee.
- Overall, expenses in the various functional areas remained stable with increases ranging from 1.4% to 5.1% with three exceptions. As noted above the city assumed responsibility for ALS services in East King County adding approximately \$3 million in expenses to the security function. Transportation expenses increased about \$1.3 million with close to \$1.1 million of the increase attributable to major street maintenance projects. The third function with a relatively high percentage increase was culture and recreation at 10.6%, about \$740,000. Most of the increase was due to more robust special event functions throughout the city such as the Redmond Lights holiday event, Derby Days, and the Fourth of July. All other functional areas held expense increases to under \$600,000 in total.



Business-type activities of the city's utilities increased the City of Redmond's net assets by \$15,553,517, accounting for 50% of the total growth in the government's net assets.

Key elements of this increase are as follows:

- Capital contributions emerged as a major revenue source for the utilities during the current year, producing over \$12 million in revenue. Capital assets totaling more than \$2 million were contributed by the Redmond Ridge Urban Planned Development (UPD) and another \$6 million in capital assets was contributed by other development. The remaining \$4 million is attributable to connection fees and capital facility charges.
- Water/wastewater operating revenues for 2003 were \$18,439,763, a 7% increase over 2002. This increase was due to an increase in water consumption and increased rates implemented in January 2003 for water and sewer.
- UPD Water/wastewater operating revenues for 2003 were \$2,110,823, a 32% increase over 2002. This increase was due to continued growth in the UPD development and increased rates implemented in January 2003 for water and sewer.
- Stormwater operating revenues for 2003 were \$6,939,526, a 1% increase over 2002 due to growth within the city.
- Investment earnings for the business-type activities decreased \$367,633 over 2002 due to lower interest rates.
- As discussed in Note 11, all outstanding Water and Sewer Revenue Bonds totaling \$2,855,000 were called and paid off in December 2003.



Financial Analysis of the Government's Funds

As discussed earlier, the City of Redmond uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The purpose of the city's governmental funds is to report on near term revenues/financial resources and expenditures. This information helps determine the city's financial requirements in the near future. In particular, fund balance is a good indicator of the city's resources available at the end of the year.

At the end of the current year the city's combined ending governmental fund balance was \$64,175,506. This was a decrease of \$2,885,448 or 4.3% from the ending fund balance of the prior year. Of the \$64,175,506, \$1,593,045 is reserved for debt service. \$35,773,405 is earmarked for capital construction projects and \$21,500,130 resides with special revenue funds. Significant special revenue fund balances include \$5,406,390 in the operating reserve fund, including general reserves and development reserves, \$3,303,764 in equipment reserve funds, and \$7,753,701 in the business license surcharge fund for future transportation projects. Special revenue fund balances are either legally restricted or reserved by city policy for particular purposes.

The general fund is the primary operating fund of the city through which all receipts and payments of ordinary city operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2003 the fund balance of the general fund was \$5,308,926. As a measure of the fund's liquidity, the ending fund balance is 11.9% of the fund's 2003 expenditures.

The general fund balance increased \$271,153 from the prior year. Revenues and expenditures rose slightly from 2002 to 2003, increasing 2.5% and 2% respectively. Revenues exceeded expenditures in the general fund by \$4,638,517 in 2003. In keeping with the city's policy to fund capital projects on a pay as you go basis, net transfers out of the general fund totaled \$4,368,289, primarily for capital activities.

Taxes are the primary source of revenue in the General Fund, at 70% of the fund's 2003 revenues. Sales tax revenues, the city's largest single revenue source, increased \$1.66 million from 2002 to 2003. However,

\$1.5 million of this amount resulted from a one time audit adjustment. Without this adjustment, sales tax revenues increased 1.1% in 2003, an improvement over the 5% decline experienced in 2002.

Changes of note occurred in several other General Fund revenues. License and permit revenue was up \$767,739 in 2003. A new cable franchise agreement and collection of prior year's underreported business license fees uncovered in an audit conducted by the city brought increased license and permit revenues of \$1.2 million. Development fee collections remained weak for commercial and multi-family construction, negatively affecting permit revenues by \$452,000 and inspection fee charges for services by \$775,000. Interest income on General Fund investments was down \$568,151 in 2003 due to a combination of low interest rates and the allocation among funds of the city's investment portfolio.

In recognition of a slow economy and limitations on its ability to raise taxes, the city closely monitors expenditures to not exceed revenues and have minimal impact on currently provided public services. The city's largest General Fund expenditure category, at 50% of total expenditures, is security encompassing Police and Fire services. Expenditures in this category were down .1%, mainly due to vacant positions and a delay in salary increases resulting from unsettled Police and Fire union contracts.

The LID control debt service fund has a fund balance of \$539,321, down from \$840,986 in 2002. The purpose of this fund is to collect special assessments from property owners benefited by a local improvement district construction project and to pay from those collections the bonds issued to finance the project construction. The ending fund balance is a reflection of the timing of the special assessment collections compared to the timing of the bond calls.

The capital improvements program fund ending fund balance was \$34,766,063, a decrease of \$4,033,207 from 2002. Several factors contributed to this decrease. Total revenues and net transfers were up \$5.8 million while expenditures including \$276,956 more in debt service were up close to \$10 million. Two bonds to finance park renovations were issued for \$3,698,472. Net transfers in were up \$1.6 million. The city requires developers to directly contribute to some transportation capital projects if the developers will benefit from the project or their development will greatly impact the city's transportation system. Contributions from developers were up \$503,438 in 2003. Capital construction project expenditures were

\$9,720,520 higher than in 2002, with several major road projects and park renovations underway. Investment income was down \$975,928 from 2002 due to low interest rates and the lower cash balances available to invest.

Proprietary funds

The City of Redmond's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the city's proprietary funds have already been addressed in the discussion of the city's business-type activities.

General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis with each budget beginning in an odd numbered year by state law. The difference between the 2003/2004 biennial budget adopted at the end of 2002 and the final 2003/2004

biennial budget at December 31, 2003 amounts to \$2,824,377.

Revenues increased in the following categories:

- Beginning fund balance increased \$1,662,829 due to a higher than anticipated ending fund balance at December 31, 2002.
- Fire District 34 \$ 279,350
- Interfund charges for services \$ 199,131
- Developer fees \$ 10,000
- Grants \$ 82,325
- Miscellaneous \$ 7,821
- Transfers from other funds \$ 582,921

Expenditure increases occurred in various functional areas and were as follows:

- The \$1,662,829 increase in beginning fund balance consists of two components. A \$1,512,010 salary and benefit contingency to cover salary increases granted in union contracts was carried over for contracts that were not settled at the end of 2002. Unspent revenues of \$150,819 collected specifically to fund technology improvements and special events were carried over to the 2003/2004 biennium.
- Fire District #34 contributed \$279,350 to fund salaries and benefits for three new firefighter positions.

- The increase in interfund charges for services added a charge of \$200,751 to the newly formed Advanced Life Support Fund for services provided by the General Fund and decreased the Stormwater Management Fund's transfer to the General Fund by \$1,620.
- The additional \$10,000 of developer fees will fund overtime for building inspectors when an after hours inspection is requested by a developer.
- Additional grants of \$82,325 are allocated among the Police, Fire, and Planning departments for emergency preparedness, commute trip reduction, and growth management.
- Miscellaneous contributions of \$7,821 will fund website development (\$5,000), youth services (\$2,052), and local law enforcement (\$769).
- Transfers from other funds increased by \$537,069 from the Operating Reserves Fund, \$18,000 from the Recreation Activities Fund, and \$27,852 from the Advanced Life Support Fund for a total of \$582,921. These transfers support various General Fund activities of benefit to the city as a whole.

Capital Asset and Debt Administration

Capital Assets

The City of Redmond's investment in capital assets for its governmental and business-type activities as of December 31, 2003 amounts to \$332,428,869 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission/distribution systems, roads, and bridges.

Major capital assets changes during 2003 included the following:

- Three fire aid vehicle chassis' were replaced for \$252,180 and one new aid vehicle was purchased for \$124,185.
- Land was acquired in downtown Redmond from King County at a cost of \$1,376,305.

- King County contributed \$571,150 in vehicles associated with the Advanced Life Support program.
- Renovation of Grasslawn Park's tennis courts and sports fields was completed at a final cost of \$3.5 million.
- General government capital investment street projects were completed at a cost of \$1.2 million.
- General government capital investment projects currently under construction are valued at \$25,604,157. These include development of Perrigo Park, phase 2 of West Lake Sammamish Parkway, and transportation projects in the Overlake area.
- Private developers contributed streets and traffic signals valued at \$1.2 million.
- Capital assets contributed to the city water/wastewater utility totaled \$6 million and \$2 million in capital assets were contributed to the UPD water/wastewater utility.
- City utility projects completed in 2003 include rehabilitation of sewer pump station #4, water mains, and Idylwood Stream at a total cost of \$6,120,691.

City of Redmond's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 41,273,042	\$ 39,416,160	\$ 5,105,597	\$ 4,970,966	\$ 46,378,639	\$ 44,387,126
Buildings/Building Improvements	20,499,236	20,687,569	14,281,352	13,393,331	34,780,588	34,080,900
Improvements other than buildings	7,235,120	4,059,550	125,606,607	113,928,419	132,841,727	117,987,969
Machinery and equipment	8,463,302	8,069,692	422,354	471,509	8,885,656	8,541,201
Construction in progress	25,604,157	11,565,032	5,031,568	5,880,408	30,635,725	17,445,440
Infrastructure	78,696,279	78,973,694	-	-	78,696,279	78,973,694
Art	210,255	198,255	-	-	210,255	198,255
Total	<u>\$ 181,981,391</u>	<u>\$ 162,969,952</u>	<u>\$150,447,478</u>	<u>\$138,644,633</u>	<u>\$ 332,428,869</u>	<u>\$ 301,614,585</u>

Additional information on the City of Redmond's capital assets can be found in Note 7 of this report.

Long-term debt

At the end of the current fiscal year, the City of Redmond had total bonded debt outstanding of \$12,678,472. Of this amount, \$10,933,472 is general obligation bonds, and \$1,745,000 is special assessment debt with governmental commitment.

City of Redmond's Outstanding Debt - General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 10,933,472	\$ 9,635,000	\$ -	\$ -	\$ 10,933,472	\$ 9,635,000
Special assessment debt with governmental commitment	1,745,000	2,485,000	-	-	1,745,000	2,485,000
Revenue Bonds	-	-	-	2,855,000	-	2,855,000
Total	<u>\$ 12,678,472</u>	<u>\$ 12,120,000</u>	<u>\$ -</u>	<u>\$ 2,855,000</u>	<u>\$ 12,678,472</u>	<u>\$ 14,975,000</u>

The City of Redmond maintains a AA rating from Standard & Poors and a AA2 rating from Moody's for general obligation debt. Revenue bonds for the Water/Wastewater Utility have been rated A from Standard & Poors and A1 from Moody's. Special assessment bonds are unrated.

Washington State statutes limit the amount of general obligation debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Non-voted (limited tax) general obligation indebtedness is limited to 1.5% of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5% of assessed valuation. The City's assessed valuation for 2003 was \$8,591,122,385 and remaining debt capacity is as follows:

General	\$ 207,756,424
Open Space/Park Facilities	210,301,637
Utilities	214,778,060
TOTAL	<u>\$ 632,836,121</u>

The total amount of unlimited tax and limited tax general obligation debt the city may issue is \$644,334,180. Additional information on the City of Redmond's long-term debt can be found in Note 11 of this report and in the Statistical Section of the report.

Economic Factors and Mid Biennium Budget Review

Several factors that affect the economic climate in Redmond were considered when preparing the city's 2003-2004 biennial budget. The outlook for the nation, state and region was weighed in relation to its expected impact on Redmond. The character of the city, including its current and future business activity and its attraction as a place to live, was evaluated. Current financial position and the ability of the city to thrive under its adopted fiscal policies were also given due consideration. Based on these considerations, Redmond's future economic health is promising amid some short-term challenges.

The city conducted its mid biennium review of the 2003-2004 biennial budget at the end of 2003 in accordance with State law. As expected the slow economy was adversely affecting the city's projected revenues, particularly sales and utility taxes. In concert with the city's conservative fiscal policies, expense budgets in the General Fund were reduced in all functional categories for the remainder of the 2003-2004 biennium to correspond more closely to actual revenue collections.

At the end of 2003 although the decline in the national economy appeared to have bottomed out the effects of the downturn still lingered. Local conditions in the Puget Sound region traditionally lag behind national trends by about six to nine months with improvement expected in late 2004 or 2005.

The regional economy in Puget Sound was primarily affected by the economic decline of recent years in the aerospace and high-tech sectors. The aerospace industry plays a small role in Redmond's economy compared to its major high-tech player, Microsoft, who weathered the recent economic storm relatively well. A watchful eye will be kept on potential job losses in Redmond resulting from Cingular's recent acquisition of AT&T Wireless, with its headquarters in Redmond Town Center.

During the last decade the City of Redmond has grown tremendously and its attraction as a place to live and work is clear. In 2003 two major retailers, the Bon Marche and Cost Plus Imports opened their doors in Redmond. A full-service seven story Marriott Hotel and Conference Center are under construction at Redmond Town Center that will attract visitors to the city. These activities are occurring in Redmond despite a regional economic downturn, indicating strong business confidence in Redmond's future.

Redmond has a history of excellent financial management and prudent fiscal policies. Adherence to these financial management practices and policies has served the city well and set the stage for a community that will thrive for many years to come.

Requests for Information

This financial report is designed to provide a general overview of the City of Redmond's finances for readers with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to the Finance Director, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

STATEMENT OF NET ASSETS
December 31, 2003

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,687,794	\$ 2,047,764	\$ 9,735,558
Cash with outside agencies	10,000	-	10,000
Investments (Note 4)	65,222,926	28,338,078	93,561,004
Receivables:			
Taxes	521,087	-	521,087
Accounts	556,820	1,077,049	1,633,869
Interest	752,952	284,884	1,037,836
Special assessments	1,416,744	-	1,416,744
Due from other governments	5,983,427	-	5,983,427
Internal balances	(381,094)	381,094	-
Inventory	32,005	51,112	83,117
Deferred charges	25,474	588,436	613,910
Restricted assets:			
Deposit cash	123,372	-	123,372
Deposit investments	2,270,961	1,571,209	3,842,170
Capital assets (Note 7):			
Land, artwork, construction in progress	67,087,454	10,137,165	77,224,619
Depreciable capital assets, net	114,893,937	140,310,313	255,204,250
Total Assets	<u>266,203,859</u>	<u>184,787,104</u>	<u>450,990,963</u>
LIABILITIES			
Accounts/claims payable	3,981,785	1,101,512	5,083,297
Employee wages payable	1,688,208	175,422	1,863,630
Interest	211,519	13,112	224,631
Unearned revenues	4,598,999	755,646	5,354,645
Customer deposits	2,394,433	1,571,209	3,965,642
Noncurrent liabilities (Note 11):			
Due within one year	6,078,596	369,974	6,448,570
Due in more than one year	11,692,124	684,169	12,376,293
Special assessment debt with governmental commitment	1,745,000	-	1,745,000
Total Liabilities	<u>32,390,664</u>	<u>4,671,044</u>	<u>37,061,708</u>
NET ASSETS			
Invested in capital assets net of related debt	166,566,041	149,666,161	316,232,202
Restricted for:			
Capital projects	35,773,405	-	35,773,405
Special revenue funds	3,519,014	-	3,519,014
Debt service	1,593,045	-	1,593,045
Unrestricted	26,361,690	30,449,899	56,811,589
Total Net Assets	<u>\$ 233,813,195</u>	<u>\$ 180,116,060</u>	<u>\$ 413,929,255</u>

See accompanying notes to the financial statements.

CITY OF REDMOND

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 10,554,145	\$ 2,366,495	\$ -	\$ -	\$ (8,187,650)	\$ -	\$ (8,187,650)
Security	26,710,617	8,236,684	773,585	-	(17,700,348)	-	(17,700,348)
Physical environment	4,074,430	397,113	112,494	-	(3,564,823)	-	(3,564,823)
Economic environment	3,602,868	7,794,584	592,996	-	4,784,712	-	4,784,712
Transportation	8,633,148	140,587	971,541	5,252,460	(2,268,560)	-	(2,268,560)
Mental/physical health	87,644	-	-	-	(87,644)	-	(87,644)
Culture and recreation	7,779,409	1,116,151	138,079	128,098	(6,397,081)	-	(6,397,081)
Interest on long-term debt	747,107	-	-	-	(747,107)	-	(747,107)
Total governmental activities	<u>62,189,368</u>	<u>20,051,614</u>	<u>2,588,695</u>	<u>5,380,558</u>	<u>(34,168,501)</u>	<u>-</u>	<u>(34,168,501)</u>
Business-type activities							
Water/Wastewater	18,323,044	18,439,763	-	8,195,927	-	8,312,646	8,312,646
UPD Water/Wastewater	2,121,347	2,110,823	-	3,341,092	-	3,330,568	3,330,568
Stormwater	4,799,055	6,939,526	1,285	1,114,424	-	3,256,180	3,256,180
Total business-type activities	<u>25,243,446</u>	<u>27,490,112</u>	<u>1,285</u>	<u>12,651,443</u>	<u>-</u>	<u>14,899,394</u>	<u>14,899,394</u>
Total government	<u>\$ 87,432,814</u>	<u>\$ 47,541,726</u>	<u>\$ 2,589,980</u>	<u>\$ 18,032,001</u>	<u>(34,168,501)</u>	<u>14,899,394</u>	<u>(19,269,107)</u>
General revenues							
Taxes							
Property					13,298,157	-	13,298,157
Sales					17,575,204	-	17,575,204
Other					16,163,612	-	16,163,612
Unrestricted investment interest					1,681,065	767,170	2,448,235
Miscellaneous					894,151	48,245	942,396
Gain on sale of capital assets					22,231	-	22,231
Transfers, internal activities					161,292	(161,292)	-
Total general revenues and transfers					<u>49,795,712</u>	<u>654,123</u>	<u>50,449,835</u>
Change in net assets					15,627,211	15,553,517	31,180,728
Net assets-beginning					218,185,984	164,562,543	382,748,527
Net assets-ending					<u>\$ 233,813,195</u>	<u>\$ 180,116,060</u>	<u>\$ 413,929,255</u>

See accompanying notes to the financial statements.

CITY OF REDMOND

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2003

	General	L.I.D. Control Fund	Capital Improvements Program Fund	Other Governmental Funds	Governmental Funds Total
ASSETS					
Cash and cash equivalents	\$ 460,848	\$ 372,057	\$ 1,890,980	\$ 3,810,135	\$ 6,534,020
Cash with outside agency	-	-	-	10,000	10,000
Investments	3,288,295	-	36,843,620	19,361,221	59,493,136
Receivables:					
Taxes	272,961	-	-	248,126	521,087
Accounts	316,593	-	149,412	90,815	556,820
Interest	86,418	78,449	198,956	82,996	446,819
Special assessments	-	1,416,744	-	-	1,416,744
Due From other funds	1,214,032	-	-	-	1,214,032
Due from other governments	3,267,506	-	1,149,683	1,566,238	5,983,427
Restricted assets:					
Deposit cash	-	-	116,704	6,435	123,139
Deposit investments	2,270,961	-	-	-	2,270,961
Total Assets	<u>\$ 11,177,614</u>	<u>\$ 1,867,250</u>	<u>\$ 40,349,355</u>	<u>\$ 25,175,966</u>	<u>\$ 78,570,185</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts/claims payable	\$ 1,893,983	\$ -	\$ 1,199,370	\$ 185,173	\$ 3,278,526
Employee wages payable	1,395,257	-	30,948	155,426	1,581,631
Due to Other Funds	-	-	-	1,214,032	1,214,032
Payable from restricted assets:					
Deposits payable	2,270,961	-	116,704	6,535	2,394,200
Unearned revenues	308,487	1,327,929	4,236,270	53,604	5,926,290
Total Liabilities	<u>5,868,688</u>	<u>1,327,929</u>	<u>5,583,292</u>	<u>1,614,770</u>	<u>14,394,679</u>
Fund balances:					
Reserved for:					
Debt service	-	539,321	-	1,053,724	1,593,045
Petty cash	23,440	-	-	-	23,440
Unreserved, reported in:					
General fund	5,285,486	-	-	-	5,285,486
Special revenue funds	-	-	-	21,500,130	21,500,130
Capital projects funds	-	-	34,766,063	1,007,342	35,773,405
Total Fund Balances	<u>5,308,926</u>	<u>539,321</u>	<u>34,766,063</u>	<u>23,561,196</u>	<u>64,175,506</u>
Total Liabilities and Fund Balances	<u>\$ 11,177,614</u>	<u>\$ 1,867,250</u>	<u>\$ 40,349,355</u>	<u>\$ 25,175,966</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	177,546,363
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Note 3)	1,605,255
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets.	10,481,918
Some liabilities, including bonds, loans, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 3)	<u>(19,995,847)</u>
Net assets of governmental activities	<u>\$ 233,813,195</u>

See accompanying notes to the financial statements.

CITY OF REDMOND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended December 31, 2003

Page 1 of 2

	General Fund	L.I.D. Control Fund	Capital Improvements Program Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 34,541,485	\$ -	\$ 1,100,004	\$ 10,940,990	\$ 46,582,479
Special assessments	-	541,955	-	-	541,955
Licenses and permits	4,426,653	-	-	-	4,426,653
Contributions from property owners	45,780	-	1,643,310	489,095	2,178,185
Intergovernmental	6,117,098	-	2,663,853	3,597,184	12,378,135
Charges for services	3,303,115	-	2,584,035	1,485,619	7,372,769
Fines and forfeitures	219,854	-	-	1,883	221,737
Investment income	371,485	-	1,057,667	427,694	1,856,846
Miscellaneous	145,632	-	78,417	654,261	878,310
Total Revenues	<u>49,171,102</u>	<u>541,955</u>	<u>9,127,286</u>	<u>17,596,726</u>	<u>76,437,069</u>
EXPENDITURES					
Current					
General government	9,316,820	-	137,119	598,335	10,052,274
Security of persons and property	22,334,593	-	127,484	3,378,096	25,840,173
Physical environment	3,364,832	-	22,492	451,020	3,838,344
Transportation	2,541,276	-	2,725,076	590,856	5,857,208
Economic environment	2,354,751	-	487,537	748,299	3,590,587
Mental/physical health	8,900	-	-	78,745	87,645
Culture and recreation	4,592,417	-	52,243	2,625,577	7,270,237
Capital outlay	18,996	-	21,215,364	823,042	22,057,402
Debt service:					
Principal	-	740,000	610,184	2,400,000	3,750,184
Interest and debt issue costs	-	147,442	113,467	505,672	766,581
Total Expenditures	<u>44,532,585</u>	<u>887,442</u>	<u>25,490,966</u>	<u>12,199,642</u>	<u>83,110,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,638,517</u>	<u>(345,487)</u>	<u>(16,363,680)</u>	<u>5,397,084</u>	<u>(6,673,566)</u>
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	-	-	3,698,472	-	3,698,472
Disposition of capital assets	925	-	-	24,450	25,375
Transfers in (Note 10)	565,430	43,822	14,137,737	3,577,672	18,324,661
Transfers out (Note 10)	(4,933,719)	-	(5,505,736)	(7,820,935)	(18,260,390)
Total other financing sources and uses	<u>(4,367,364)</u>	<u>43,822</u>	<u>12,330,473</u>	<u>(4,218,813)</u>	<u>3,788,118</u>
Net change in fund balances	271,153	(301,665)	(4,033,207)	1,178,271	(2,885,448)
Fund balances-beginning	5,037,773	840,986	38,799,270	22,382,925	67,060,954
Fund balances-ending	<u>\$ 5,308,926</u>	<u>\$ 539,321</u>	<u>\$ 34,766,063</u>	<u>\$ 23,561,196</u>	<u>\$ 64,175,506</u>

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

Page 2 of 2

Amounts reported for governmental funds in the statement of activities are different because:

Net change in fund balances-total governmental funds.	\$ (2,885,448)
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$22,010,863) exceeded depreciation (\$4,618,575) in the current period.	17,392,288
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Note 3)	1,087,936
Receipt of long-term debt proceeds increases the current financial resources of governmental funds and repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. (Note 3)	51,712
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	647,748
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 3)	<u>(667,025)</u>
Change in net assets of governmental activities.	\$ <u><u>15,627,211</u></u>

See accompanying notes to the financial statements.

CITY OF REDMOND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property	\$ 20,076,000	\$ 20,076,000	\$ 9,725,892	\$ (10,350,108)
Sales	34,690,000	34,690,000	16,336,429	(18,353,571)
Other	19,717,000	18,813,000	8,479,164	(10,333,836)
Licenses and permits	6,820,700	7,724,700	4,426,653	(3,298,047)
Intergovernmental	11,936,000	12,297,675	6,117,098	(6,180,577)
Charges for services	7,535,000	7,744,131	3,303,115	(4,441,016)
Fines and forfeitures	294,000	294,000	219,854	(74,146)
Investment income	2,450,000	2,450,000	371,485	(2,078,515)
Miscellaneous	93,000	100,821	191,412	90,591
Total revenues	103,611,700	104,190,327	49,171,102	(55,019,225)
EXPENDITURES				
Current				
General government	19,379,641	20,815,533	9,316,820	11,498,713
Security of persons and property	44,516,403	45,381,860	22,334,593	23,047,267
Physical environment	6,517,829	7,251,386	3,364,832	3,886,554
Transportation	4,983,726	5,129,613	2,541,276	2,588,337
Economic development	4,271,142	5,437,719	2,354,751	3,082,968
Mental/physical health	15,761	15,761	8,900	6,861
Culture and recreation	8,658,840	9,480,792	4,592,417	4,888,375
Capital outlay	39,906	39,906	18,996	20,910
Total expenditures	88,383,248	93,552,570	44,532,585	49,019,985
Excess (deficiency) of revenues over (under) expenditures	15,228,452	10,637,757	4,638,517	(5,999,240)
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	925	925
Transfers in	20,000	602,921	565,430	(37,491)
Transfers out	(9,334,503)	(9,541,072)	(4,933,719)	4,607,353
Total other financing sources and uses	(9,314,503)	(8,938,151)	(4,367,364)	4,570,787
Net change in fund balance	5,913,949	1,699,606	271,153	(1,428,453)
Fund balance-beginning	-	1,662,829	5,037,773	3,374,944
Fund balance-ending	\$ 5,913,949	\$ 3,362,435	\$ 5,308,926	\$ 1,946,491

See accompanying notes to the financial statements.

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2003

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,118,439	\$ 259,211	\$ 670,114	\$ 2,047,764	\$ 1,153,774
Investments	15,606,386	3,209,328	9,522,364	28,338,078	5,729,790
Accounts and contracts receivable	449,766	19,732	607,551	1,077,049	-
Interest receivable	154,173	38,370	92,341	284,884	53,643
Inventory	51,112	-	-	51,112	32,005
Total current assets	<u>17,379,876</u>	<u>3,526,641</u>	<u>10,892,370</u>	<u>31,798,887</u>	<u>6,969,212</u>
Current assets restricted:					
Restricted assets					
Customer deposits:					
Cash and cash equivalents	-	-	-	-	233
Investments	731,450	790,288	49,471	1,571,209	-
Total current assets restricted	<u>731,450</u>	<u>790,288</u>	<u>49,471</u>	<u>1,571,209</u>	<u>233</u>
Noncurrent assets:					
Deferred charges	588,436	-	-	588,436	-
Capital assets:					
Land	1,128,504	3,091,260	877,058	5,096,822	584,292
Buildings	5,418,158	9,056,934	738,100	15,213,192	619,494
Leasehold improvements	-	-	46,001	46,001	-
Improvements other than buildings	94,128,609	36,808,512	21,893,498	152,830,619	248,876
Equipment	93,559	418,492	121,833	633,884	8,372,291
Construction in progress	3,075,465	894,014	1,062,089	5,031,568	-
Other property	8,775	-	-	8,775	-
Less accumulated depreciation	<u>(21,073,800)</u>	<u>(2,326,826)</u>	<u>(5,012,757)</u>	<u>(28,413,383)</u>	<u>(5,389,925)</u>
Total capital assets (net of depreciation)	<u>82,779,270</u>	<u>47,942,386</u>	<u>19,725,822</u>	<u>150,447,478</u>	<u>4,435,028</u>
Total noncurrent assets	<u>83,367,706</u>	<u>47,942,386</u>	<u>19,725,822</u>	<u>151,035,914</u>	<u>4,435,028</u>
Total assets	<u>\$ 101,479,032</u>	<u>\$ 52,259,315</u>	<u>\$ 30,667,663</u>	<u>\$ 184,406,010</u>	<u>\$ 11,404,473</u>

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2003

	Business-type Activities				Governmental
	Enterprise Funds				Activities
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 627,320	\$ 294,452	\$ 179,740	\$ 1,101,512	\$ 696,305
Employee wages payable	89,046	10,261	76,115	175,422	106,577
Compensated absences	135,279	7,388	86,083	228,750	89,989
Due to other governments	113,793	-	-	113,793	6,954
Current LID payable	40,543	-	-	40,543	-
Unearned revenues	67,123	688,523	-	755,646	-
Total current liabilities	1,073,104	1,000,624	341,938	2,415,666	899,825
Current liabilities payable from restricted assets:					
Customer deposits payable	731,450	790,288	49,471	1,571,209	233
Current bond principal	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Total current liabilities payable from restricted assets	731,450	790,288	49,471	1,571,209	233
Noncurrent liabilities:					
Loans payable	496,586	-	-	496,586	-
LID assessment	130,395	-	-	130,395	-
Compensated absences	33,820	1,847	21,521	57,188	22,497
Total noncurrent liabilities	660,801	1,847	21,521	684,169	22,497
Total liabilities	2,465,355	1,792,759	412,930	4,671,044	922,555
NET ASSETS					
Invested in capital assets, net of related debt					
	81,997,953	47,942,386	19,725,822	149,666,161	4,435,028
Unrestricted	17,015,724	2,524,170	10,528,911	30,068,805	6,046,890
Total net assets	\$ 99,013,677	\$ 50,466,556	\$ 30,254,733	179,734,966	\$ 10,481,918
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				381,094	
Net assets of business-type activities				\$ 180,116,060	

See accompanying notes to the financial statements.

CITY OF REDMOND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2003

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
Operating revenues:					
Charges for services	\$ 11,447,770	\$ 1,870,429	\$ 6,939,526	\$ 20,257,725	\$ 2,251,556
Metro service	6,991,993	240,394	-	7,232,387	-
Charges for replacement	-	-	-	-	2,081,177
Charges for insurance	-	-	-	-	5,894,088
Total operating revenues	<u>18,439,763</u>	<u>2,110,823</u>	<u>6,939,526</u>	<u>27,490,112</u>	<u>10,226,821</u>
Operating expenses:					
Administrative and general	2,883,872	452,470	2,750,954	6,087,296	7,801,995
Purchased water	3,080,754	440,162	-	3,520,916	-
Metro service	6,991,993	240,394	-	7,232,387	-
Supplies	-	-	-	-	455,405
Maintenance and operations	2,461,158	173,798	1,381,217	4,016,173	762,651
Taxes	449,174	48,162	100,131	597,467	-
Depreciation and amortization	<u>2,175,643</u>	<u>766,361</u>	<u>566,753</u>	<u>3,508,757</u>	<u>946,198</u>
Total operating expenses	<u>18,042,594</u>	<u>2,121,347</u>	<u>4,799,055</u>	<u>24,962,996</u>	<u>9,966,249</u>
Operating income (loss)	<u>397,169</u>	<u>(10,524)</u>	<u>2,140,471</u>	<u>2,527,116</u>	<u>260,572</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	460,202	89,562	217,406	767,170	126,819
Grant Income	-	-	161,372	161,372	-
Interest expense	(363,058)	-	-	(363,058)	-
Amortization of Debt Issue Costs	(50,124)	-	-	(50,124)	-
Gain on sale of capital assets	-	-	-	-	22,231
Miscellaneous	<u>47,399</u>	<u>-</u>	<u>846</u>	<u>48,245</u>	<u>296,068</u>
Total nonoperating revenues (expenses)	<u>94,419</u>	<u>89,562</u>	<u>379,624</u>	<u>563,605</u>	<u>445,118</u>
Income before contributions and transfers	491,588	79,038	2,520,095	3,090,721	705,690
Capital contributions	8,195,927	3,341,092	954,337	12,491,356	-
Transfers in	-	-	-	-	161,292
Transfers out	<u>-</u>	<u>-</u>	<u>(161,292)</u>	<u>(161,292)</u>	<u>(64,271)</u>
Change in net assets	<u>8,687,515</u>	<u>3,420,130</u>	<u>3,313,140</u>	<u>15,420,785</u>	<u>802,711</u>
Total net assets - beginning	<u>90,326,162</u>	<u>47,046,426</u>	<u>26,941,593</u>	<u>164,314,181</u>	<u>9,679,207</u>
Total net assets - ending	<u>\$ 99,013,677</u>	<u>\$ 50,466,556</u>	<u>\$ 30,254,733</u>	<u>\$ 179,734,966</u>	<u>\$ 10,481,918</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>132,732</u>	
Change in net assets of business-type activities				<u>\$ 15,553,517</u>	

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2003

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 18,374,043	\$ 2,132,017	\$ 7,041,337	\$ 27,547,397	\$ 8,145,642
Cash received for replacement	-	-	-	-	2,081,177
Cash payments to suppliers	(3,948,739)	(175,549)	(588,500)	(4,712,788)	(6,131,682)
Cash payments to employees	(2,220,994)	(339,136)	(1,859,046)	(4,419,176)	(2,380,286)
Cash payments to other governments	(7,441,167)	(288,556)	(100,131)	(7,829,854)	-
Internal Activity - payments to other funds	(2,090,056)	(260,173)	(1,645,797)	(3,996,026)	(392,728)
Other operating receipts and payments	(110,515)	(171,981)	17,010	(265,486)	289,177
Net cash provided by operating activities	<u>2,562,572</u>	<u>896,622</u>	<u>2,864,873</u>	<u>6,324,067</u>	<u>1,611,300</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grants	-	-	-	-	5,191
Transfers out	-	-	(161,291)	(161,291)	(64,271)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(161,291)</u>	<u>(161,291)</u>	<u>(59,080)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(4,093,257)	(1,052,217)	(1,521,771)	(6,667,245)	(643,149)
Proceeds from sale of capital assets	-	-	-	-	31,375
Proceeds from sale of other assets	47,399	-	846	48,245	1,700
Capital contributions	2,580,033	1,099,010	380,989	4,060,032	-
Loan/Grant Proceeds	-	-	161,372	161,372	-
Principal paid on revenue bonds	(2,855,000)	-	-	(2,855,000)	-
Principal paid on other debt	(141,224)	-	-	(141,224)	-
Interest paid on revenue bonds and other debt	<u>(173,773)</u>	<u>-</u>	<u>-</u>	<u>(173,773)</u>	<u>-</u>
Net cash (provided) used for capital and related financing activities	<u>(4,635,822)</u>	<u>46,793</u>	<u>(978,564)</u>	<u>(5,567,593)</u>	<u>(610,074)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment purchases	-	(1,120,948)	(2,160,133)	(3,281,081)	(1,404,214)
Investment sales/maturities	669,238	-	-	669,238	48,075
Interest on investments	<u>564,004</u>	<u>99,435</u>	<u>241,151</u>	<u>904,590</u>	<u>142,776</u>
Net cash provided (used) in investing activities	<u>1,233,242</u>	<u>(1,021,513)</u>	<u>(1,918,982)</u>	<u>(1,707,253)</u>	<u>(1,213,363)</u>
Net increase in cash and cash equivalents	(840,008)	(78,098)	(193,964)	(1,112,070)	(271,217)
Cash and cash equivalents-beginning of year	<u>1,958,447</u>	<u>337,309</u>	<u>864,078</u>	<u>3,159,834</u>	<u>1,425,224</u>
Cash and cash equivalents-end of year	<u>\$ 1,118,439</u>	<u>\$ 259,211</u>	<u>\$ 670,114</u>	<u>\$ 2,047,764</u>	<u>\$ 1,154,007</u>

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2003

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Water/ Wastewater	Stormwater Management	Totals	
Cash at the end of the year consists of:				
Operating fund cash	1,118,439	259,211	670,114	2,047,764
Customer deposits	-	-	-	233
Total cash at end of year	\$ 1,118,439	\$ 259,211	\$ 670,114	\$ 2,047,764
				\$ 1,154,007

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)	\$ 397,169	\$ (10,524)	\$ 2,140,471	\$ 2,527,116	\$ 260,572
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,175,643	766,361	566,753	3,508,757	946,198
Decrease (increase) in accounts receivable	(65,720)	21,194	101,811	57,285	-
Decrease (increase) in inventory	61	-	-	61	7,191
Increase (decrease) in accounts payable	151,956	288,267	14,229	454,452	66,073
Increase (decrease) in employee wages payable	7,152	1,597	7,380	16,129	32,486
Increase (decrease) in employee vacations payable	6,826	1,708	17,219	25,753	9,605
Reclassify other income	-	-	-	-	289,177
Increase (decrease) in customer deposits payable	(177,638)	229,201	17,010	68,573	(2)
Increase (decrease) in unearned revenues	67,123	(401,182)	-	(334,059)	-
Net cash provided by operating activities	\$ 2,562,572	\$ 896,622	\$ 2,864,873	\$ 6,324,067	\$ 1,611,300

Noncash investing, capital and financing activities:

Developers contributed infrastructure valued at	\$ 5,615,894	\$ 2,242,082	\$ 573,349	\$ 8,431,325	\$ -
Other funds of the city transferred vehicles valued at	-	-	-	-	161,292
Fair value of investments increased (decreased) by	(65,332)	(15,994)	(38,276)	(119,602)	2,102

See accompanying notes to the financial statements.

CITY OF REDMOND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of December 31, 2003

	Firemen's Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 12,358	\$ 1,209,751
Investments	192,315	-
Receivables		
Accounts	-	760
Interest	1,845	-
Total Assets	<u>\$ 206,518</u>	<u>1,210,511</u>
LIABILITIES		
Due to other governments	-	\$ 7,303
Custodial	-	1,203,208
Total Liabilities	<u>-</u>	<u>\$ 1,210,511</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 206,518</u>	

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2003

	Firemen's Pension Fund
ADDITIONS	
Fire insurance premiums	\$ 59,483
Investment interest	3,941
Total additions	63,424
DEDUCTIONS	
Benefit payments	1,986
Total deductions	1,986
Change in net assets	61,438
Net assets-beginning	145,080
Net assets-ending	\$ 206,518

See accompanying notes to the financial statements.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

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**NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Redmond was incorporated on December 31, 1912 and operates under the laws of the State of Washington applicable to a Non-Charter Mayor/Council form of government. The City Council is composed of seven members elected at large to four-year terms. The city provides what are considered general government services including public safety, highways and streets, parks and recreation, planning and zoning, permits and inspection, sanitation, general administrative, and water and wastewater services.

The accounting and reporting policies of the City of Redmond, which conform to generally accepted accounting principles for governments, are regulated by the Washington State Auditor's Office, Division of Municipal Corporations.

The city's Comprehensive Annual Financial Report is prepared in accordance with Governmental Accounting Standards Board (GASB) Statements 34, 36, 37, and 38. In 2003, the city implemented GASB Statement 40, Deposit and Investment Risk Disclosures issued in March, 2003.

The City's significant accounting policies are described in the following notes.

Reporting Entity

The city's Comprehensive Annual Financial Report (CAFR) includes all funds, agencies and boards controlled by or dependent on the city. Control by or dependence on the city was determined on the basis of financial accountability, budget adoption, taxing authority, outstanding debt service secured by revenues or general obligations of the city, obligations of the city to finance any deficits that may occur, or receipt of significant subsidies from the city. Accordingly, the Redmond Public Corporation is included in the accompanying financial statements (see Note 14).

Basic Financial Statements

The city's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Under the modified accrual basis of accounting, property taxes, sales taxes, utility taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Grant revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 1. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. Entitlement grant revenue is not tied to expenditures and is recognized when the city is entitled to receive it according to the grant agreement. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Financial Statement Presentation

The city reports the following major governmental funds:

The **General Fund** is the general operating fund of the city. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

The **Local Improvement District Control Fund** is a debt service fund that accounts for resources accumulated and payments made for principal and interest on long-term special assessment debt.

The **Capital Improvements Program Fund** accounts for financial resources to be used for the acquisition, construction, and preservation of major capital facilities other than those financed by proprietary funds.

The city reports the following major proprietary funds:

The **Water/Wastewater Fund** accounts for the activities of providing water and sewer services to its citizens.

The **UPD Water/Wastewater Fund** accounts for the activities of providing water and sewer services to an urban planned development outside the city limits. Both of these utilities' operations are self-supported through user charges.

The **Stormwater Management Fund** accounts for the operation, construction, and maintenance of the city's stormwater management system. The utility's operations are self-supported through fees.

Additionally the city reports the following fund types:

Internal service funds account for fleet maintenance, information technology, and insurance services provided to other departments of the city on a cost reimbursement basis.

Agency funds account for assets held by the city as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The city has three Agency Funds, Intergovernmental Custodial, Municipal Employees Benefit Trust, and Contractor's Deposits.

The **Pension Trust Fund** accounts for the activities of the **Firemen's Pension Fund**, which accumulates resources for excess pension benefit payments to qualified firefighters.

The city applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. Governments have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to this same limitation. The city has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of internal service funds

for fleet maintenance and information technology. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's utility funds and internal service funds are charges to customers for sales and services, vehicle replacement, and insurance. The city also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The City of Redmond budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34. In compliance with the code, budgets for all funds are established with the exception of the LID Control and the LID Guaranty Debt Service Funds, and Fiduciary funds. Budgets established for proprietary funds are "management budgets" and as such are not required to be reported in the CAFR.

The biennial budget is proposed by the Mayor and adopted by the City Council with legal budgetary control

at the fund level, i.e. expenditures and other financing uses may not exceed budgeted appropriations at the fund level. The Mayor may authorize transfers within funds, however, the City Council must approve by ordinance any additional appropriations which increase the total for the fund without transfers from other funds. Any unexpended appropriation balances lapse at the end of the biennium.

In addition to authorizing the budget, the City Council biennially approves the Capital Improvement Program. This is a six year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenues for these projects are budgeted in the Capital Projects Funds.

The city prepares biennial budgets on the modified accrual basis which conforms to generally accepted accounting principles. The CAFR includes budgetary comparisons for the general, special revenue, and debt service governmental funds with legally adopted budgets.

The budget process and the time limits under which a budget must be developed are established by State law. The city follows the procedures outlined below in the year preceding the first year of the two year budget to establish its biennial budget:

- In spring, the Mayor meets with department heads to prepare for the upcoming budget process. The Mayor develops and submits a budget calendar to the City Council for approval.
- Throughout the summer, city staff review revenue and expenditure estimates.
- In October, preliminary budget estimates are made available to the public.
- Sixty days before the ensuing fiscal year, the Mayor files the preliminary budget with the City Clerk's office.
- During the first two weeks of November, the Clerk publishes notice of the filing of the preliminary budget and publishes notice of public hearings.
- The City Council holds a series of study sessions to review the preliminary budget to determine if they wish to make any modifications to the Mayor's recommended programs.
- Public hearings are held prior to the adoption of the budget for the public to

comment on recommended programs and to offer ideas for new programs.

- Prior to the beginning of the first calendar year of the biennial budget, the City Council, by a majority of the members present, adopts a final operating budget by ordinance.
- The Final Budget document is printed and distributed after adoption.

Assets, Liabilities, and Net Assets Or Equity

Cash and investments

It is the city's policy to invest all temporary cash surpluses. These investments are reported on the statement of net assets and the governmental funds balance sheet as cash and cash equivalents or investments. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, investments with the Local Government Investment Pool, investments in U.S. Government Mutual Funds and investments with original maturities of three months or less. Interest is allocated to each fund on the basis of investments owned.

In accordance with city policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, bankers' acceptances, bonds of Washington state and any local government in Washington state which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency, repurchase agreements, the State Investment Pool (2a7-like), and mutual funds used specifically for debt issues related to arbitrage.

The city reports its deposit and investment risk disclosures in accordance with GASB 40 (see Note 4).

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value.

Receivables

The City of Redmond recognizes receivables in its financial statements based on the accounting requirements for that statement. These receivables are as follows:

Property Taxes

Uncollected property taxes levied for the current year are reported as receivable at year-end. The city's property tax collections records show that approximately 99% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected, therefore no allowance for uncollectible taxes is recorded.

Sales Taxes

Sales taxes collected for November and December but not remitted by the state to the city until January and February of the following year are reported as receivables at year end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.

Investment Interest

Interest receivable consists of interest earned on investments at the end of the year, accrued interest on investments purchased between interest dates, and accrued interest and penalties on special assessments receivable. In proprietary funds and the government-wide statement of net assets investment interest is recorded as receivable, regardless of its payment date. In the governmental fund statements and schedules investment interest is recorded as receivable if it will be paid to the city within 60 days of year end.

Special Assessments

Special assessments are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable in the governmental fund statements consist of current assessments which are due within 60 days, delinquent assessments remaining unpaid after the due date, and deferred, uncollected assessments which have been levied, but are not due within 60 days. Special assessments receivable in the statement

of net assets include all uncollected assessments regardless of due date.

Accounts Receivable

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Uncollectible amounts are considered immaterial and the direct write-off method is used.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds: (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories

Inventories are defined as assets which may be held for internal consumption or for resale. The City of Redmond uses the following policies in valuing and recording inventory items:

In proprietary funds a perpetual inventory is maintained, in which the cost is capitalized when inventory items are purchased, and expensed when the item is consumed. The first-in, first-out valuation method, which approximates market, is used to value the inventory. A physical inventory is taken at year-end. No inventory is maintained in governmental funds.

Restricted Assets

Restricted assets include those monies reserved for customer’s deposits.

Deferred Charges

Deferred charges in the Water/Wastewater Fund are amortized under guidance provided by FASB 71 and consist of a water rate comprehensive plan, a sewer comprehensive plan, and a Rosehill sewer study which will be amortized and charged to expense over a five year period; and the Tolt Pipeline project with the City of Seattle which will be amortized over a period of twenty years.

Deferred charges in the governmental activities consist of issuance costs for the 1992 and 1994 GO bond refundings amortized over a fourteen year period and a twenty year period, respectively.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds. Capital assets are defined by the city as land and buildings with an original cost of \$50,000 or more each, machinery, equipment, software and other improvements with an original cost of \$10,000 or more each and an estimated useful life of more than one year; and all vehicles, artwork, transportation and utility infrastructure, regardless of their initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land, construction in progress, and works of art are not depreciated. Property, plant, and equipment of the city is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings/Building Improvements	50
Other improvements	15-50
Vehicles	3-15
Machinery and equipment	6-20
Utility infrastructure	10-100
Streets, paths, trails	50
Street lights and traffic signals	30

Compensated Absences

It is the city's policy to permit employees to accumulate earned but unused vacation, compensatory time in lieu of overtime, and sick leave benefits. Twenty-five percent of unused sick leave is payable at retirement or death. Any outstanding sick leave is lost at resignation therefore, outstanding sick leave at year end is not accrued because the payment cannot be deemed probable nor can the amount be reasonably estimated. All vacation and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and

amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The city's self-insured Workmen's Compensation Fund ended 2003 with negative net assets of \$29,465. The city chose to charge rates to the various city departments to fund the Workmen's Compensation Fund based on rates set by the Washington State Department of Labor and Industries. The 2003 rates set by the state were insufficient to cover the 2003 claims and fund incurred

but not reported (IBNR) claims. The rates have been increased for 2004 to a level expected to result in positive net assets by year end 2004. State law allows the negative net assets to be recovered from other city funds over a reasonable future period of time.

NOTE 3:
RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of aggregated differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between total fund balance and total net assets as reported in the government-wide statement of net assets. The details of the aggregated differences are presented below.

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Unearned special assessment revenue due beyond the city's 60 day measurable and available period	\$ 1,327,291
Investment interest accrued beyond the city's 60 day measurable and available period	252,490
Deferred charge for bond issue costs	<u>25,474</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 1,605,255</u></u>

Some liabilities, including bonds, loans and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

G.O Bonds payable	\$ (10,933,472)
Less: Issuance discounts	72,425
Special assessment bonds payable	(1,745,000)
Loans payable	(3,353,926)
Contract payable	(777,951)
Accrued interest payable	(211,519)
Compensated absences	(2,665,310)
Due to business-type activities	<u>(381,094)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (19,995,847)</u></u>

Explanation of aggregated differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of

governmental activities as reported in the government-wide statement of activities. The details of the aggregated differences are presented below.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Other government asset contributions	\$ 571,150
Developer asset contributions	1,198,901
Change in unearned special assessment revenue	(423,656)
Change in investment interest receivable due beyond the city's 60 day measurable and available period	(280,690)
Gain on capital asset disposal	22,231
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net assets - governmental activities	<u>\$ 1,087,936</u>

Receipt of long-term debt proceeds increases the current financial resources of governmental funds and repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets:

General obligation bond proceeds	\$ (3,698,472)
General obligation bonds repayment	2,400,000
LID bonds repayment	740,000
Public Works Trust Fund loans repayment	371,717
Contract Payable repayment	238,467
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net assets of governmental activities	<u>\$ 51,712</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued interest payable	\$ (20,441)
Amortization of debt issue costs	(5,294)
Amortization of debt discount	(21,914)
Change in compensated absences payable	(619,376)
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net assets of governmental funds	<u>\$ (667,025)</u>

NOTE 4: CASH AND INVESTMENTS

The City of Redmond's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$100,000 of the city's deposits. The deposit balances over \$100,000 are insured by the WPDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

As of December 31, 2003 the carrying amount of the city's cash demand deposits with Bank of America was \$1,627,377 and the bank balance was \$1,618,859. The carrying amount and bank balance of the city's cash demand deposits at U.S. Bank at December 31, 2003 was \$145,800. \$758,811 retained from contractors pending acceptance of city construction projects was held in escrow or savings accounts at various banks. Petty cash

totaled \$23,500 of which \$23,440 was allocated to various city offices and \$60 was unallocated and remains in the city's demand deposit account at Bank of America. \$10,000 is held by the City of Bellevue for use by the Eastside Narcotics Task Force. The city held \$42,637,869 in certificates of deposit at various banks.

The Local Government Investment Pool (LGIP) is a 2a7-like pool. The fair value of the city's pool investments is determined by the pool's share price. The city has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official.

As of December 31, 2003, the city had the following investments and maturities:

Investment Type	Investment Maturities (In Years)		
	Fair Value	Less Than 1	1 to 5
Federal Home Loan Bank	\$ 22,109,710	\$ 6,605,485	\$ 15,504,225
Federal Farm Credit Bank	3,030,370	1,019,430	2,010,940
Federal National Mortgage Association	21,458,261	1,874,161	19,584,100
Student Loan Marketing Association	2,020,000	2,020,000	-
Federal Home Loan Mortgage Corporation	8,064,280	2,032,270	6,032,010
State Investment Pool	5,899,790	5,899,790	-
Mutual Bond Fund	900,820	900,820	-
Total	<u>\$ 63,483,231</u>	<u>\$ 20,351,956</u>	<u>\$ 43,131,275</u>

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the city diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The city coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

Credit Risk. State law and city policy limit investments to those authorized by state statute including commercial paper and bonds of the State of Washington and any local

government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency. The city further limits its holdings in commercial paper to 10% of the portfolio and 10% per issuer, and local government bonds to 25% of the portfolio and 10% of issuer. At December 31, 2003 the city held no investments in commercial paper or local government bonds.

Additionally, the city restricts its investment in mutual fund bonds to be used for arbitrage purposes only.

Credit Quality Distribution for Securities
With Credit Exposure as a Percentage of Total Investments
(total investments include certificates of deposit, not represented in this table)

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
Federal Home Loan Bank	AAA	21%
Federal Farm Credit Bank	AAA	3%
Federal National Mortgage Association	AAA	20%
Student Loan Marketing Association	AAA	2%
Federal Home Loan Mortgage Corporation	AAA	8%
Mutual Bond Fund	AAAm	1%
State Investment Pool	Not Rated	6%

Concentration of Credit Risk. The city diversifies its investments by security type and institution. 100% of the city's portfolio may be invested in US Treasury Notes, Bonds or Certificates, US Government Sponsored Corporations, or the State Investment Pool. 50% of the portfolio may be invested in Certificates of Deposit with no more than 10% held by any one issuer and not exceeding 20% of the issuer's net worth. 25% of the portfolio may be invested in Bankers Acceptances (10% per issuer), State of Washington or Local Government

Bonds (10% per issuer), and Repurchase Agreements (25% per dealer). 10% of the portfolio may be invested in Commercial Paper and other authorized investments. On December 31, 2003 more than five percent of the city's investments were in the Federal Home Loan Bank, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.

**NOTE 5:
RECEIVABLES**

Property Taxes

The King County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed on a daily basis.

	<u>Property Tax Calendar</u>
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable when levied, offset by a deferred revenue. During the year, property tax revenues are recognized when cash is received. At year-end, property tax revenues are recognized for December collections to be distributed by the county treasurer in January.

Under Washington State law a city may levy property taxes up to \$3.60 per \$1,000 of assessed valuation.

Redmond's maximum property tax levy rate has been reduced from \$3.60 to \$3.10, or \$.50, as a result of annexing to the King County Library District in May 1990. In addition to the limitation previously noted, the City's levy rate is also subject to the following:

Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, after adjustments for new construction and annexations unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.

The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

Accordingly, the City levied \$1.28815 per \$1,000 of assessed value for general governmental services, and an additional \$0.27876 per \$1,000 of assessed value for voter approved excess tax levy, for a combined total of \$1.566910 per \$1,000 of assessed value.

**NOTE 6:
INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund receivables and payables as of December 31, 2003 is as follows:

	<u>Due to</u>	<u>Due From</u>
General Fund	\$ 1,214,032	-
Advanced Life Support Fund	-	\$ 1,214,032

**NOTE 7:
CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003 was as follows:

Primary Government

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 39,416,160	\$ 1,856,882	\$ -	\$ 41,273,042
Construction In Progress	11,565,032	21,133,555	(7,094,430)	25,604,157
Art	198,255	12,000	-	210,255
Total Capital Assets, Not Being Depreciated	<u>51,179,447</u>	<u>23,002,437</u>	<u>(7,094,430)</u>	<u>67,087,454</u>
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	26,145,333	450,448	-	26,595,781
Improvements Other than Buildings	6,605,318	3,629,196	(215,748)	10,018,766
Machinery and Equipment	15,504,527	2,361,247	(869,817)	16,995,957
Infrastructure	119,651,104	2,392,763	-	122,043,867
Total Capital Assets, Being Depreciated	<u>167,906,282</u>	<u>8,833,654</u>	<u>(1,085,565)</u>	<u>175,654,371</u>
Less Accumulated Depreciation for:				
Buildings/Building Improvements	5,457,764	638,781	-	6,096,545
Improvements Other Than Buildings	2,545,768	417,668	(179,790)	2,783,646
Machinery and Equipment	7,434,835	1,921,997	(824,177)	8,532,655
Infrastructure	40,677,410	2,670,178	-	43,347,588
Total Accumulated Depreciation	<u>56,115,777</u>	<u>5,648,624</u>	<u>(1,003,967)</u>	<u>60,760,434</u>
Total Capital Assets, Being Depreciated, Net	<u>111,790,505</u>	<u>3,185,030</u>	<u>(81,598)</u>	<u>114,893,937</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 162,969,952</u>	<u>\$ 26,187,467</u>	<u>\$ (7,176,028)</u>	<u>\$ 181,981,391</u>

CITY OF REDMOND

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,970,966	\$ 134,631	\$ -	\$ 5,105,597
Construction In Progress	5,880,408	6,565,860	(7,414,700)	5,031,568
Total Capital Assets, Not Being Depreciated	<u>10,851,374</u>	<u>6,700,491</u>	<u>(7,414,700)</u>	<u>10,137,165</u>
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	14,075,450	1,183,743	-	15,259,193
Improvements Other Than Buildings	138,395,832	14,821,509	(386,722)	152,830,619
Machinery and Equipment	622,912	10,972	-	633,884
Total Capital Assets, Being Depreciated	<u>153,094,194</u>	<u>16,016,224</u>	<u>(386,722)</u>	<u>168,723,696</u>
Less Accumulated Depreciation for:				
Buildings/Building Improvements	682,119	295,722	-	977,841
Improvements Other Than Buildings	24,467,413	3,012,758	(256,159)	27,224,012
Machinery and Equipment	151,403	60,127	-	211,530
Total Accumulated Depreciation	<u>25,300,935</u>	<u>3,368,607</u>	<u>(256,159)</u>	<u>28,413,383</u>
Total Capital Assets, Being Depreciated, Net	<u>127,793,259</u>	<u>12,647,617</u>	<u>(130,563)</u>	<u>140,310,313</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 138,644,633</u>	<u>\$ 19,348,108</u>	<u>\$ (7,545,263)</u>	<u>\$ 150,447,478</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 357,041
Security	1,055,484
Physical Environment	7,183
Transportation, Including Depreciation of General Infrastructure Assets	2,770,459
Economic Environment	16,600
Culture and Recreation	411,809
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on Their Usage of the Assets	<u>946,198</u>
Total Depreciation Expense – Governmental Activities	\$ 5,564,774
Accumulated Depreciation to Date – Donated Vehicles	<u>83,850</u>
Total Increase in Accumulated Depreciation – Governmental Activities	<u>\$ 5,648,624</u>
Business-type Activities:	
Water/Wastewater	\$ 2,035,494
UPD Water/Wastewater	766,360
Stormwater	<u>566,753</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 3,368,607</u>

NOTE 8: PENSION PLANS

In accordance with GASB Statement No. 27, the following pension plan information is provided. All City full-time employees and part-time employees meeting required eligibility hours participate in the following one of two statewide local government retirement systems administered by the Washington State Department of Retirement Systems. Employees of both plans must work a minimum of 70 hours per month. Retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

The Department of Retirement Systems issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for each plan. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia WA 98504-8380

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

The State Legislature established PERS in 1947 under Chapter 41.40 of the Revised Code of Washington (RCW).

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the

system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 participants are eligible to retire at age 55 with 25 years of service, age 60 with 5 years of service, or at any age with 30 years of service. The total annual pension benefit is 2% of the average final compensation times the number of years of service, based on the highest two-year period. Benefits may be paid to the participant for their lifetime or a reduced benefit may be paid to the participant with their surviving beneficiary receiving the same reduced benefit for the beneficiary's lifetime. Retirement benefits may not exceed 60% of final average compensation. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at 3% annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 participants are eligible to retire at age 65 with 5 years of service or at age 55 with 20 years of service, receiving a reduced benefit. If retirement is at age 55 with 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The total annual pension benefit is 2% of the average final compensation times the number of years of service, based on the highest consecutive five-year period. Average final compensation does not include severance pay such as lump sum deferred sick pay or vacation pay. Retirement benefits may not exceed 100% of final average compensation. Retirement benefits are indexed to the Seattle consumer price index with a maximum of 3% increase annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and

employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent and 7.5% for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

There are 1,167 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans as of September 30, 2002:

Retirees and Beneficiaries Receiving Benefits	63,756
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	19,152
Active Plan Members Vested	98,994
Active Plan Members Nonvested	55,191
Total	237,093

Law Enforcement Officers and Fire Fighters (LEOFF) Plans 1 and 2

LEOFF was established in 1970 by the Legislature under Chapter 41.26 RCW.

The LEOFF system is a contributory multi-employer cost sharing retirement system administered by the State of Washington through the Department of Retirement Systems. Membership includes all full-time, fully compensated, local law enforcement officers and fire fighters. Retirement benefits are financed by employee and employer contributions, investment earnings, and legislative appropriations. LEOFF is comprised solely of nonstate employees. Effective January 1, 2003 firefighter

emergency medical technicians (EMTs) may transfer PERS Plan 1 or Plan 2 service credit to LEOFF Plan 2 if while employed for the city, town, county, or district, the EMTs job was relocated to a fire department from another city, town, county, or district.

For Plan 1 participants the total annual pension benefit varies from 1% (five to ten years service) to 2% (twenty years or more of service) of final average salary. For members hired after February 18, 1974, the service retirement may not exceed 60% of final average salary. Members who terminated service with five or more years of credited service may, instead of withdrawing their contributions, be eligible to receive a service retirement allowance beginning the day following their 50th

birthday. The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest 24 months' salary within the last 10 years of service. A cost of living allowance is granted, capped at 3% annually. Substantial disability and death benefits are provided by the plan.

Plan 2 participants are eligible to retire at the age of 50 with 20 years of service or at 53 with five years of service. Retirement benefits prior to age 53 are actuarially reduced 3 percent for each year before the benefit commences prior to age 53. The benefit is 2% of average salary per year of service. The average salary is based on the highest five-year period. A cost of living allowance is granted, capped at 3% annually. Death and disability benefits are also provided.

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.26 and 41.45 RCW.

There are 359 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans as of September 30, 2002:

Retirees and Beneficiaries Receiving Benefits	8,231
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	398
Active Plan Members Vested	11,222
Active Plan Members Nonvested	3,936
Total	23,787

PERS and LEOFF Plan Information

	PERS			LEOFF	
	PLAN 1	PLAN 2	PLAN 3	PLAN 1	PLAN 2
Employee contribution rate as a percentage of covered payroll as of December 31, 2003	6.00%	1.18%	**	-	5.05%
Employer contribution rate as a percentage of covered payroll as of December 31, 2003:*	1.40%	1.40%	1.40%***	.22%	3.25%
State of Washington contribution rates as of December 31, 2003	-	-	-	-	2.02%

* Includes Administrative cost rate.

** Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

***Plan 3 defined benefit portion only.

Both the city and the employees made the required contributions. The city's required contributions for the years ended December 31, were:

	<u>PERS 1</u>	<u>PERS 2</u>	<u>PERS 3</u>	<u>LEOFF 1</u>	<u>LEOFF 2</u>
2003	\$ 35,051	\$244,908	\$ 35,368	\$ 1,747	\$ 398,691
2002	\$ 35,760	\$266,674	\$ 797	\$ 1,857	\$ 310,065
2001	\$ 77,294	\$554,776	-	\$ 22,410	\$ 385,400

Firemen's Pension Plan

The City is the administrator of the Firemen's Pension Plan (FPP), a closed, single-employer defined benefit pension plan established in conformance with Revised Code of Washington (RCW) 41.18. The costs of administering the Plan are paid from the Firemen's Pension Fund. The Plan provided retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. Retirement benefit provisions are established in state statute and may be amended only by the State Legislature. Membership is limited to firefighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the FPP for covered firefighters who retire after March 1, 1970. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan. Membership in the FPP consists of one deceased and four retired firefighters, one of whom is currently receiving benefits.

The benefits provided by the Plan are potentially in excess of the State's LEOFF plan. For funding purposes and accruing costs, the benefits are measured by a modified aggregate projected benefit method, with the annual cost spread over the period ending December 31, 2010. Under this method, the required contribution is the portion of the actuarial present value of benefits allocated to a valuation year. The actuarial accrued liability is equal to the actuarial value of assets. This cost method is not appropriate for GASB Statements 25 and 27 purposes though it is still recommended for funding purposes. For

GASB purposes, the entry age normal cost method is used. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since all members have already retired, the amount of the annual Normal Cost is small. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Liability minus the actuarial value of the fund assets. The UAAL will be amortized over a closed 30 year period beginning December 31, 2000. The Plan is a closed off plan and GASB disclosures make no special provision for reporting the cost for this type of plan. Therefore, the minimum actuarial required contribution (ARC) disclosed for GASB purposes has no relationship to the City's funding policy for the Plan.

Under State law, the FPP is provided an allocation of 25% of all moneys received by the State from taxes on fire insurance premiums, interest earnings, member contributions made prior to the inception of LEOFF, and city contributions required to meet projected future pensions obligations. The actuary has determined that no city contribution is required.

The financial activity of the Firemen's Pension Fund is included in this document, the Comprehensive Annual Financial Report of the City of Redmond. No separate stand-alone financial report is issued for the Firemen's Pension Fund.

Schedule of Funding Progress

The Schedule of Funding Progress is included in the Required Supplementary Information section at the end of the Notes to the Financial Statements.

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Total Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
December 31, 2000	\$ 41,581	\$ 30,148	137.9%
December 31, 2001	\$ 48,217	\$ 30,148	159.9%
December 31, 2002	\$ 51,484	\$ 15,456	333.1%
December 31, 2003	\$ 59,483	\$ 15,456	384.9%

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Contribution as a Percentage of APC</u>	<u>Net Pension Obligation (NPO)</u>
December 31, 2001	\$ 30,218	159.6%	\$ (29,432)
December 31, 2002	\$ 15,662	328.7%	\$ (65,254)
December 31, 2003	\$ 15,976	372.3%	\$ (108,761)

The information presented in the preceding required schedules was determined as part of the actuarial valuations as indicated.

Valuation date:	January 1, 2002
Actuarial cost method for GASB purposes:	Entry Age Normal Cost Method
Amortization method:	Level Percentage of Projected Payroll Closed
Remaining amortization period:	28 years
Asset valuation method:	Market Value

Actuarial Assumptions:

Investment rate of return	7%
Projected salary increases	5%
Cost of living adjustments	4%

Annual Pension Cost and Net Pension Obligation

	Year Ending 12/31/02	Year Ending 12/31/03
1. Annual Normal Cost, beginning of year	\$ -	\$ -
2. Amortization of UAL, beginning of year	14,445	14,445
3. Interest to end of year	<u>1,011</u>	<u>1,011</u>
4. Annual required contribution at end of year (1 + 2 + 3)	\$ 15,456	\$ 15,456
5. Interest on net pension obligation	\$ (2,060)	\$ (4,568)
6. Adjustment to annual required contribution	<u>(2,226)</u>	<u>5,088</u>
7. Annual pension cost (4 + 5 - 6)	\$ 15,662	\$ 15,976
8. Employer Contributions	\$ 51,484	\$ 59,483
9. Change in net pension obligation (7 - 8)	\$ (35,822)	\$ (43,507)
10. Net pension obligation at beginning of year	<u>\$ (29,432)</u>	<u>\$ (62,254)</u>
11. Net pension obligation at end of year (9 + 10)	<u><u>\$ (65,254)</u></u>	<u><u>\$ (108,761)</u></u>

Municipal Employees Benefit Trust

By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418 (g) effective January 1, 1975. Permanent employees working 1040 or more hours per year are eligible but not required to participate in the plan. Temporary employees working less than 1040 hours per year are required to participate in the plan. Participating permanent employees may choose to defer income tax in accordance with Internal Revenue Code Section 401K, on all, part or none of their contribution while temporary employees may not defer income tax on any of their contribution. There were 566 permanent and 246 temporary participants with account balances at December 31, 2003.

The Municipal Employees Benefit Trust Plan is a defined contribution plan with participants contributing an amount equal to the current Social Security rate (7.65%). One hundred percent of the contributions made by employees hired before April 1, 1986 go to MEBT. Employees hired on or after April 1, 1986 contribute 6.2% to MEBT and 1.45% to Medicare. Permanent employees may make additional contributions up to the limit set by the Internal Revenue Code. The City contributes 7.65% for permanent employees and 4.75% for temporary employees. Of the City's contribution, 1.45% goes to Medicare for employees hired on or after April 1, 1986. Eighty percent of the remaining City contribution goes to MEBT and 20% to administrative fees. The City's contribution is based on the payroll for all employees who are eligible to participate in the plan, regardless of the number of participants. City payroll for participating employees in 2003 was \$36,264,644. Employee contributions were \$3,306,434. City contributions were \$2,816,535. The City's total payroll was \$37,986,125.

Plan assets consisting of stocks, bonds, and guaranteed insurance contracts, are not the property of the City and are not subject to the claims of the City's general creditors. The Plan is administered by the Plan Committee consisting of seven employee members appointed by the city. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the city and all applicable IRS regulations. Plan provisions may be established or amended by a majority vote of the Plan Committee. Employees who elect not to participate in the Municipal Employees Benefit Trust plan retain the disability and survivor income insurance provided by the Standard Insurance Company.

Actuarial determinations are not required because (1) long-term disability insurance and survivor income insurance are provided by a group insurance policy with Standard Insurance Company, and (2) each participant shall at his normal retirement date instruct the Plan Committee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay retirement benefits in monthly or annual installments (no contributions by the City or the participant shall be added to his account after retirement), (c) pay a single sum in cash, or (d) elect to defer any or all retirement benefits to a later date.

Other Post-employment Benefits

The only post-employment benefit provided to City employees is post-retirement health care benefits, to LEOFF I retirees (in accordance with State statutes). Currently, 23 retirees meet those eligibility requirements. The City provides medical insurance and reimburses for all validated claims for medical, dental, and hospitalization costs incurred by these retirees. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$447,135 were recognized for post-retirement health care. The city will meet its future liability for extended medical care costs for these LEOFF I retirees through a combination of third party insurance and a self funded reserve.

**NOTE 9:
CONSTRUCTION COMMITMENTS**

At December 31, 2003 the City had significant contractual obligations on construction projects.

Building Projects	\$ 16,288
Parks Projects	265,893
Street Projects	7,365,159
Utilities Projects	1,534,839
	<u>\$ 9,182,179</u>

**NOTE 10:
INTERFUND TRANSFERS**

<u>FUND</u>	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 565,430	\$ 4,933,719
LID Control Fund	43,822	-
Capital Improvements Program Fund	14,137,737	5,505,736
Non-Major Governmental Funds	3,577,672	7,820,935
Stormwater Management Fund	-	161,292
Internal service Funds	161,292	64,271
TOTAL TRANSFERS	<u>\$18,485,953</u>	<u>\$18,485,953</u>

NOTE 11: LONG-TERM OBLIGATIONS

General Obligation Bonds

General Obligation Bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service is paid from the debt service funds. Debt service for voter approved issues is funded by special property tax levies.

General Obligation Bonds outstanding at year-end are as follows:

1992 Unlimited Tax General Obligation Advance Refunding Bonds: Issued to provide funds in an irrevocable trust to refund a portion of the 1986 GO Bonds, which were issued to provide funds for a Police building, a Senior Citizen's Center and street improvements. The 1986 G.O. Bonds were paid in full in 1996.

1994 Unlimited Tax General Obligation and Refunding Bonds: Issued to provide funds for a new fire station, and to provide funds in an irrevocable trust to refund a portion of the 1990 GO Bonds and the 1985 GO Refunding Bonds. The 1985 GO Refunding Bonds were paid in full in 1995. The 1990 GO Bonds were paid in full in 2000.

2003 Limited Tax General Obligation Bonds: Two LTGO bonds were issued in 2003 to provide funds for park development and renovation. A bond in the amount of \$2,048,472 was issued to renovate tennis courts and softball fields at Grasslawn Park and carry out capital improvements in other parks. A bond in the amount of \$1,650,000 was issued to pay the costs of developing Perrigo Park.

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/03
1992 Refunding	7/1/92	12/1/05	3.0-5.75%	\$15,100,000	\$11,565,000	\$ 3,535,000
1994 GO/Refunding*	3/1/94	12/1/13	4.0-5.65%	9,310,000	5,610,000	3,700,000
2003 LTGO Bonds	6/26/03	6/1/08	3.450%	3,698,472	-	3,698,472
Total General Obligation Bonds/Notes:				<u>\$28,108,472</u>	<u>\$17,175,000</u>	<u>\$10,933,472</u>

* \$5,510,000 are refunding and \$3,800,000 are new debt.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities		
Year	Principal	Interest
2004	\$ 3,236,040	\$ 544,748
2005	3,472,554	323,792
2006	950,276	166,124
2007	973,218	129,535
2008	996,384	91,820
2009 - 2013	1,305,000	191,196
	<u>\$ 10,933,472</u>	<u>\$ 1,447,215</u>

CITY OF REDMOND

The 1992 and 1994 refunding bond issues are presented in the statement of net assets net of discounts. The gross bonds payable and discounts are as follows:

	1992 Refunding Bonds	1994 Refunding Bonds
Bonds Outstanding	\$ 3,535,000	\$ 3,700,000
Less Unamortized Bond Discount	(36,673)	(35,572)
Bonds Outstanding, Net	<u>\$ 3,498,327</u>	<u>\$ 3,664,428</u>

Special Assessment Debt with Governmental Commitment

Special Assessment Bonds are not a direct responsibility of the City, but are funded from the collection of special assessment payments. Debt service principal and interest costs are paid from the LID Control Fund. The Government is obligated for special assessment debt to the extent that it is required to establish a guaranty fund, for the purpose of guaranteeing the payment of local improvement bonds and warrants, in the event there are insufficient funds in the LID Control Fund. The Guaranty Fund is funded from interest income and surplus from the LID Control Fund, and is maintained at approximately 10% of the total original bond issue amounts. Delinquent special assessments receivable totaled \$89,453 in principal and \$57,276 in interest at the close of 2003. The fund balance in the LID Guaranty Fund stood at \$840,360.

Bonds, Issuances, Redemptions and Balances Outstanding

LID	Issue Date	Maturity Date	Interest Rate	Original Amount Issued	Redemptions to Date	Bonds Outstanding 12/31/03
1995	2/15/95	2/15/07	5.25-6.8	\$1,515,830	\$1,165,830	\$ 350,000
1998	3/01/98	3/01/10	4.0-5.0	1,241,036	591,036	650,000
1999	7/15/99	7/15/11	4.1-5.5	2,355,410	1,610,410	745,000
Total Special Assessment Bonds:				<u>\$5,112,276</u>	<u>\$3,367,276</u>	<u>\$1,745,000</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2004	\$ -	\$ 94,675
2005	-	94,675
2006	-	94,675
2007	350,000	94,675
2008	-	71,200
2009-2012	1,395,000	182,550
Total	<u>\$ 1,745,000</u>	<u>\$ 632,450</u>

Contract Payable

The city entered into an agreement with a private party to purchase a 3.15 acre parcel in southeast Redmond for park land. Payments will be made from park impact fees collected in conjunction with building permits issued by the city. The total amount due is \$1,126,658. The agreement is silent as to interest and allows for variable payments from 2003 to 2006. The city has assumed equal payments will be made in each of the four years and has calculated interest using an imputed rate of 4.25%.

Year	Governmental Activities	
	Principal	Interest
2004	\$ 248,602	\$ 33,063
2005	259,167	22,497
2006	270,181	11,483
Total	<u>\$ 777,950</u>	<u>\$ 67,043</u>

Revenue Bonds

Revenue Bonds are payable from revenues generated by the city's Water/Wastewater Fund. Water/Sewer Refunding Revenue Bonds were issued in 1993 to refund Water/Sewer Bonds issued in 1985 and 1988. The 1985 refunded bonds are paid in full. The 1988 bonds were called early and paid in full in 2003.

Public Works Trust Fund Loans

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. Redmond currently has nine such loans. Six loans with an outstanding principal balance of \$3,353,927 are being repaid from General Fund revenues which are transferred to the Capital Improvements Program Fund where the loan payments are recorded. Three loans with an outstanding principal balance of \$605,211 are being repaid from water and wastewater revenues.

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 371,717	\$ 61,559	\$ 108,625	\$ 10,337
2005	371,717	54,849	108,625	8,381
2006	371,717	48,139	108,625	6,426
2007	371,717	41,430	108,625	4,470
2008	371,717	34,720	85,356	2,515
2009-2013	1,351,570	82,973	85,355	1,257
2014-2015	143,772	2,157	-	-
	<u>\$ 3,353,927</u>	<u>\$ 325,827</u>	<u>\$ 605,211</u>	<u>\$ 33,386</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 9,635,000	\$ 3,698,472	\$(2,400,000)	\$ 10,933,472	\$ 3,236,040
Special assessment debt with government commitment	2,485,000	-	(740,000)	1,745,000	-
Less deferred amounts:					
For issuance discounts	(94,339)	-	21,914	(72,425)	-
Total bonds payable	12,025,661	3,698,472	(3,118,086)	12,606,047	3,236,040
PWTF loans	3,725,644	-	(371,717)	3,353,927	371,717
Contract payable	1,016,417	-	(238,467)	777,950	248,602
Compensated absences	2,148,816	2,937,712	(2,308,732)	2,777,796	2,222,237
Governmental activity Long-term liabilities	<u>\$ 18,916,538</u>	<u>\$ 6,636,184</u>	<u>\$(6,037,002)</u>	<u>\$ 19,515,720</u>	<u>\$ 6,078,596</u>
Business-Type Activities:					
Bonds Payable:					
Revenue bonds	\$ 2,855,000	\$ -	\$(2,855,000)	\$ -	\$ -
Less deferred amounts:					
For issuance discounts	(32,742)	-	32,742	-	-
Loss on refunding	(204,501)	-	204,501	-	-
Total bonds payable	2,617,757	-	(2,617,757)	-	-
LID Assessment	195,593	-	(32,599)	162,994	32,599
PWTF loans	713,837	-	(108,626)	605,211	108,625
Compensated absences	260,185	311,102	(285,349)	285,938	228,750
Business-type activity Long-term liabilities	<u>\$ 3,787,372</u>	<u>\$ 311,102</u>	<u>\$(3,044,331)</u>	<u>\$ 1,054,143</u>	<u>\$ 369,974</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$112,486 of internal service funds compensated absences are included in the above amounts. Compensated absences for governmental activities are liquidated in the governmental fund from which the employee's salary is paid.

NOTE 12: NEW FUNDS

Two Special Revenue funds were established in 2003 to account for revenues collected for specific purposes. The Cable Access Fund monitors revenues collected from cable television subscribers and expenditures for cable access equipment, public education, service enhancement and government access to television pursuant to the city's

contract with its cable access provider. The Advanced Life Support Fund accounts for monies spent to provide advanced life support services to the East King County ALS Consortium, of which Redmond is the lead agency. Funding is provided by a King County EMS levy.

NOTE 13: CONTINGENCIES AND LITIGATION

As of December 31, 2003, there were a number of damage claims and lawsuits pending against the city. However, in our opinion, with which the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would affect materially the financial condition of the city.

In 1996, it was discovered that during 1995 a major high-tech company in Redmond had erroneously continued to pay sales tax on new construction which had been

exempted under the state's recently enacted high-tech sales tax exemption legislation. An audit is currently underway by the Washington State Department of Revenue to determine the extent of the city's liability. Underpayments of sales tax in previous years may largely offset the 1995 overpayment. At this time the best estimate of the city's liability is in the range of \$0 to \$1,000,000. Sufficient resources have been set aside to pay the maximum liability, pending the outcome of the audit.

NOTE 14: COMPONENTS INCLUDED IN REPORTING ENTITY

The RCW 39.84.100 grants cities the authority to establish Industrial Development Corporations. In 1982, the City of Redmond created the Redmond Public Corporation. This is a public corporation whose purpose is to issue tax-exempt non recourse revenue bonds to finance industrial development within city limits. The corporation may construct and maintain industrial facilities which it then leases or sells to industrial users. Revenue bonds issued by the corporation are payable from revenues of the industrial development facility funded by the revenue bonds.

In conformity with generally accepted accounting principles, the Redmond Public Corporation has been included in the financial reporting entity. The Corporation's Board of Directors is comprised solely of members of the City Council who have the authority to approve issuance of the corporation's revenue bonds. The ability of the City Council to impose its will on the

Redmond Public Corporation through the approval or disapproval of revenue bond issuance makes the City of Redmond financially accountable for the Public Corporation.

Although the Redmond Public Corporation is included in the reporting entity as a blended component unit, no financial impact is reported in the statements. The bonds are not a liability or a contingent liability of the City of Redmond or lien on any of its properties or revenues. Principal and interest on the bonds are payable solely from the funds provided for this payment from the revenues of the industrial development facilities funded by the revenue as provided in the RCW. Records regarding the financial statements of the entities on whose balance sheets the bond liabilities are reported are in the Office of the City Attorney, who acts as the Secretary of the Public Corporation.

**NOTE 15:
JOINT VENTURE**

In February 1990, the City of Redmond joined with the City of Bellevue to construct, operate, and maintain a joint-use water storage and pumping facility located on the common boundary of the two cities. The City of Redmond has an undivided interest in the facility of 44% and the City of Bellevue has an undivided interest of 56%.

The City's share of costs to construct the joint-use facility totaled \$2,078,539 and is reported on the business-type activity financial statements as improvements other than buildings. Accumulated depreciation totals \$507,163 with a net book value of \$1,571,376. The city reimbursed the City of Bellevue \$18,770 for its share of operating costs in 2003.

**NOTE 16:
SUBSEQUENT EVENTS**

The Washington State Department of Revenue notified the city in March, 2004 of the completion of their audit of sales taxes paid by high-tech companies in Redmond through 1997. The Department of Revenue determined the city had no liability to refund prior year's sales taxes. The resources set aside pending the outcome of the audit described in Note 13 will be recognized as revenue.

On April 6, 2004 Redmond Community Properties (RCP), a Washington non-profit corporation, issued \$37.61 million of Lease Revenue Bonds on behalf of the City of Redmond in accordance with the provisions of Revenue Ruling 63-20 of the US Treasury, as amended and updated by Revenue Procedure 82-26 of the US Treasury. The bonds are secured by lease-rental payments made by the City of Redmond to the lessor, RCP. Proceeds from the bonds will be used to build a new Redmond City Hall and related parking structure.

NOTE 17: RISK MANAGEMENT

The city is exposed to various risks of loss such as: theft and damage and destruction of assets, errors and omissions, injuries or property damage to others, employees' health, and natural disasters. The city has three internal service funds to account for and finance its self-insured risks of loss. The city purchases commercial insurance for claims in excess of self-insured losses. Most funds of the city participate in the self-insurance programs and make payments to the self-insurance funds based on estimates of the amounts needed to pay excess insurance and related risk management and service costs, prior and current year claims paid in the current year, and to maintain adequate reserves for catastrophic losses in a given year.

The claims payment portion of the Insurance Claims and Reserve Fund provides coverage up to a maximum of \$100,000 per occurrence for insurance related claims and expenses. Settled claims have only exceeded \$100,000 three times in the past ten fiscal years. None of the current claims or lawsuits made or expected to be made against the city appear to have any reasonable likelihood of significantly affecting the city's financial situation for 2003. Reserves for open claims are established by an independent claims adjusting firm on a case reserve basis based on the assessment of the settlement potential and costs specifically associated with a particular claim given the information available at the time. Cases are reviewed no less than monthly and are subject to periodic audits. Lawsuits are reviewed and handled directly by the City Attorney or the excess insurer's appointed legal counsel. Reserves are established for estimated ultimate loss costs and related loss adjustment expenses.

The Medical Self-Insurance Fund provides coverage up to a maximum of \$100,000 per person per calendar year with the excess insurance covering up to a lifetime major medical maximum of \$1,000,000. There were no claims in excess of the per person limit in 2003 and one claim in excess of the per person limit each year in 2002 and 2001. All funds of the city from which employee wages are paid make premium payments to the Medical Self-Insurance Fund based on health insurance rates derived from actual fund experience and Consumer Price Index increases.

Council authorized the city to self-insure workers' compensation benefits effective January 1, 1998 for employee injuries and illnesses. The city self-insures \$300,000 of each accident or illness and purchases excess insurance above that, up to the statutory requirements. No reported claim for 2003, 2002, or 2001 exceeded \$300,000. Claims handling is currently contracted to an independent, qualified third party administrator (TPA).

As of December 31, 2003, the city had reserves of \$161,345 in the Insurance Fund and \$856,815 in the Medical Self-Insurance Fund to provide against risk of future loss. The city had no reserves in the Workman's Compensation Fund due to insufficient rates relied on by the city that were set by the Washington State Department of Labor and Industries to cover 2003 and prior year claim payments and incurred but not reported (IBNR) expenses. The rates have been increased for 2004 to provide sufficient funds to pay claims and establish a reserve in the Workman's Compensation Fund. 2003 claims in excess of the funds available in the Workman's Compensation Fund were paid from the city's general reserves. State law allows for deficits in the internal service fund to be made up over a reasonable future period. Claims liabilities of \$604,506 have been reported in the Medical Self-Insurance Fund and \$28,050 in the Workman's Compensation Fund based on estimates provided by the city's third party administrators. Historically claims liabilities for IBNR in the Insurance Claims and Reserve Fund average 15% to 20% of paid claims for the year. At the end of 2003, there is a reasonable possibility the city is liable for insurance claims in the range of \$20,000 to \$30,000. This claims liability has not been accrued due to the uncertain outcome of the claims outstanding. Reported claims liabilities are based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

CITY OF REDMOND

Changes in the self-insurance funds' claims liabilities in 2002 and 2003 were:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims & Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
Insurance Fund				
2002	\$ -	\$ 157,144	\$ 157,144	\$ -
2003	\$ -	\$ 144,705	\$ 144,075	\$ -
Medical Insurance Fund				
2002	\$ 410,058	\$3,618,316	\$3,493,164	\$ 535,210
2003	\$ 535,210	\$3,584,195	\$3,514,899	\$ 604,506
Workman's Compensation Fund				
2002	\$ 36,159	\$ 133,879	\$ 159,649	\$ 10,389
2003	\$ 10,389	\$ 197,792	\$ 177,194	\$ 30,987

Commercial insurance policies were purchased to protect the city from claims which exceed the coverage provided by the self-insurance funds.

	<u>Coverage</u>	<u>Self-Insured Retention</u>
Blanket building and personal property	\$20,000,000	\$100,000 except earthquake at 2% of values at risk subject to a \$100,000 minimum
Law enforcement	\$21,000,000	\$100,000
Errors and omissions liability	\$21,000,000	\$100,000 except employment-related practices liability limit is \$5,000,000
General and automobile liability coverage	\$21,000,000	\$100,000
Blanket fidelity (employee dishonesty)	\$ 1,000,000	\$ 5,000
Excess Workman's Compensation	statutory	\$300,000
Excess Medical Insurance	\$ 1,000,000	\$100,000

REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S PENSION PLAN
SCHEDULE OF FUNDING PROGRESS
(rounded to thousands)

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities Entry age</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
January 1, 2000	\$ -	\$ 374	\$ 374	0.00%	\$ -	N/A
January 1, 2002	\$ 89	\$ 278	\$ 189	32.00%	\$ -	N/A

This plan covers inactive participants. There are no current member contributions.

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Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are restricted to expenditures for particular purposes.

*The **Recreation Activities Fund** provides salaries, equipment and supplies needed to conduct year-round recreational programs. Funding comes from class fees, sports leagues, and transfers from the General Fund.*

*The **Arts Activity Fund** was established to administer the city's cultural arts programs and provide staff support to the Redmond Arts Commission. The primary sources of revenue are an annual transfer from the General Fund, grants and donations.*

*The **Parks Maintenance and Operations Fund** accounts for monies spent on maintenance of park grounds, rights of way, street trees, open space and the grounds surrounding City buildings and structures. These activities are funded from a property tax levy lid lift approved by the voters in 1989.*

*The **Cable Access Fund** was established in 2003 to monitor expenditures for cable access equipment, public education, service enhancement, and government access to television. The primary source of revenues is fees and contributions from cable television subscribers.*

*The **Operating Grants Fund** includes expenditures for special studies and pilot programs to support commute trip reduction in partnership with area employers. It is funded by federal, state, and local grants, private contributions and a portion of the business tax surcharge..*

*The **Housing and Community Development Fund** accounts for Federal Block Grant monies and City per capita grants for community development assistance to low and moderate income persons.*

*The **Operating Reserves Fund** houses money set aside for General Fund operating reserves and building permit reserves. The General Fund reserves were created to offset significant downturns and revisions in any general municipal purpose funds and to provide sufficient cash flow for daily financial needs at all times. The building permit reserve was established to provide funding for completion of building permit responsibilities in the event of a decline in development activity.*

*The **Advanced Life Support Fund** accounts for monies spent to provide advanced life support services to the East King County ALS Consortium made up of Duvall, Kirkland, Redmond, Woodinville and surrounding unincorporated areas. Funding is provided by King County.*

*The **Capital Equipment Fund** accumulates monies for replacement of general capital equipment. Funding in the Capital Equipment Reserve Fund is provided by an annual transfer from the city's General Fund.*

*The **Fire Equipment Fund** accumulates monies for replacement of fire capital equipment. Funding in the Fire Equipment Fund is provided by annual transfers from the General Fund and the Fire CIP fund.*

*The **Real Estate Excise Tax Fund** accounts for proceeds of the ½ of 1% Real Estate Excise Tax. This tax is collected by King County at the time property is sold in the City of Redmond and then remitted to the city. These funds must be used for construction of capital projects.*

*The **Felony Seizure Fund** accounts for monies and proceeds from the sale of property seized during drug and felony investigations. Legal restrictions require these funds to be expended on drug and felony related police activities.*

*The **Emergency Dispatch System Fund** was established in 1995 as a cost center for the emergency dispatch and records management systems. Funds were provided from a variety of sources including the General, Capital Equipment Reserve, CIP, and Public Safety Bond Funds.*

*The **Business License Surcharge Fund** receives revenues collected from businesses based on the employee hours worked in Redmond. The funds collected are earmarked for transportation and transportation demand management projects. All projects funded by this source are reviewed by the Business Tax/Transportation Improvement Committee and then submitted to the Council for approval.*

*The **Tourism Fund** is supported by a 1% special excise tax on overnight lodging in Redmond. This tax provides resources to support tourism development and promotion activities in Redmond.*

*The **Solid Waste Recycling Fund** accounts for monies received primarily through garbage franchise fees. Fund expenditures made are to develop, administer and improve solid waste collection and education.*

Debt Service Funds

Debt Service Funds account for the accumulation of resources for and the payment of general obligation and special assessment bonds.

*The **Regular Levy Fund** accounts for the debt service on City Council approved (councilmanic) general obligation debt. During 2003, the city issued two Long-Term General Obligation Notes to fund improvements at Grasslawn and Perrigo Parks. Debt service on those notes will be paid from this fund.*

*The **Local Improvement District Guaranty Fund** was established for the purpose of guaranteeing the payment of local improvement bonds and warrants and is funded from interest income and surplus from the Local Improvement District Control Fund.*

*The **Special Levy Fund** accounts for the debt service on the voter approved general obligation bonds. The city currently has two bond issues outstanding that are paid from this fund. In 1992 the city refunded a 1986 bond issue that financed the Senior Center, the Police Building, and street projects. In 1994 the city issued bonds to purchase land and build a new fire station. Debt service on these two bond issues is paid from this fund.*

Capital Projects Funds

Capital Projects Funds account for the acquisition or construction of capital facilities (except for those financed primarily by utility funds). These funds are financed primarily by general obligation bonds, special assessments, federal and state grants and contributions from other funds.

*The **Parks Acquisition and Renovation Fund** is comprised of funds for the acquisition and development of new parks as well as improvements to existing parks. This fund received \$4,870,000 in bond proceeds approved by the voters in 1989. All of the projects have been completed and the remaining funds will be used for land acquisition.*

*The **G.O. Bonds - Fire Fund** was established after voters approved a bond issue of \$3,800,000 in 1992 to purchase land, construct a fire station in southeast Redmond, and purchase fire equipment. The city completed construction of the fire station in 1997 and purchased land for a fire station in northeast Redmond.*

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2003

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Special Revenue Funds				
	Recreation Activities	Arts Activity	Parks Maintenance and Operation	Cable Access
ASSETS				
Cash and cash equivalents	\$ 6,153	\$ 10,223	\$ 138,538	\$ 44,515
Cash with outside agency	-	-	-	-
Investments	102,217	145,698	80,086	697,700
Receivables:				
Taxes	-	-	-	-
Accounts	7,500	-	-	36,572
Interest	-	551	199	3,625
Due from other governments	11,476	10,080	-	-
Restricted assets:				
Deposit cash	2,182	-	-	-
Total Assets	<u>\$ 129,528</u>	<u>\$ 166,552</u>	<u>\$ 218,823</u>	<u>\$ 782,412</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 30,652	\$ 3,694	\$ 4,720	\$ -
Employee wages payable	31,623	1,409	13,883	1,604
Due to Other Funds	-	-	-	-
Payable from restricted assets:				
Deposits payable	2,182	-	-	-
Unearned revenues	-	-	-	-
Total Liabilities	<u>64,457</u>	<u>5,103</u>	<u>18,603</u>	<u>1,604</u>
Fund balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved	<u>65,071</u>	<u>161,449</u>	<u>200,220</u>	<u>780,808</u>
Total Fund Balances	<u>65,071</u>	<u>161,449</u>	<u>200,220</u>	<u>780,808</u>
Total Liabilities and Fund Balances	<u>\$ 129,528</u>	<u>\$ 166,552</u>	<u>\$ 218,823</u>	<u>\$ 782,412</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2003

Page 2 of 6

Special Revenue Funds				
	Operating Grants	Housing and Community Development	Operating Reserves	Advanced Life Support
ASSETS				
Cash and cash equivalents	\$ 331,463	\$ 33,400	\$ 343,280	\$ -
Cash with outside agency	-	-	-	-
Investments	-	-	5,063,110	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	16,500
Interest	106	-	-	-
Due from other governments	153	110,625	-	1,318,318
Restricted assets:				
Deposit cash	-	-	-	-
Total Assets	<u>\$ 331,722</u>	<u>\$ 144,025</u>	<u>\$ 5,406,390</u>	<u>\$ 1,334,818</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 445	\$ 80,500	\$ -	\$ 18,415
Employee wages payable	6,215	1,144	-	89,836
Due to Other Funds	-	-	-	1,214,032
Payable from restricted assets:				
Deposits payable	-	-	-	-
Unearned revenues	-	-	-	-
Total Liabilities	<u>6,660</u>	<u>81,644</u>	<u>-</u>	<u>1,322,283</u>
Fund balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved	<u>325,062</u>	<u>62,381</u>	<u>5,406,390</u>	<u>12,535</u>
Total Fund Balances	<u>325,062</u>	<u>62,381</u>	<u>5,406,390</u>	<u>12,535</u>
Total Liabilities and Fund Balances	<u>\$ 331,722</u>	<u>\$ 144,025</u>	<u>\$ 5,406,390</u>	<u>\$ 1,334,818</u>

Special Revenue Funds

Capital Equipment	Fire Equipment	Real Estate Excise Tax	Felony Seizure	Emergency Dispatch
\$ 129,103	\$ 198,760	\$ 172,057	\$ 98,871	\$ 8,715
-	-	-	10,000	-
1,844,435	1,147,598	2,025,764	-	112,336
-	-	193,867	-	-
-	-	-	-	-
10,009	6,129	11,018	-	365
-	-	-	-	-
-	-	-	4,253	-
<u>\$ 1,983,547</u>	<u>\$ 1,352,487</u>	<u>\$ 2,402,706</u>	<u>\$ 113,124</u>	<u>\$ 121,416</u>
\$ 28,799	\$ 3,471	\$ -	\$ 8,409	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	4,353	-
-	-	-	-	-
<u>28,799</u>	<u>3,471</u>	<u>-</u>	<u>12,762</u>	<u>-</u>
-	-	-	-	-
<u>1,954,748</u>	<u>1,349,016</u>	<u>2,402,706</u>	<u>100,362</u>	<u>121,416</u>
<u>1,954,748</u>	<u>1,349,016</u>	<u>2,402,706</u>	<u>100,362</u>	<u>121,416</u>
<u>\$ 1,983,547</u>	<u>\$ 1,352,487</u>	<u>\$ 2,402,706</u>	<u>\$ 113,124</u>	<u>\$ 121,416</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2003

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Special Revenue Funds				
	Business License Surcharge	Tourism	Solid Waste Recycling	Total
ASSETS				
Cash and cash equivalents	\$ 943,989	\$ 12,908	\$ 52,471	\$ 2,524,446
Cash with outside agency	-	-	-	10,000
Investments	6,765,807	179,196	426,544	18,590,491
Receivables:				
Taxes	-	-	-	193,867
Accounts	-	-	30,243	90,815
Interest	43,905	737	2,165	78,809
Due from other governments	-	-	115,586	1,566,238
Restricted assets:				
Deposit cash	-	-	-	6,435
Total Assets	<u>\$ 7,753,701</u>	<u>\$ 192,841</u>	<u>\$ 627,009</u>	<u>\$ 23,061,101</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 5,873	\$ 184,978
Employee wages payable	-	-	9,712	155,426
Due to Other Funds	-	-	-	1,214,032
Payable from restricted assets:				
Deposits payable	-	-	-	6,535
Unearned revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>15,585</u>	<u>1,560,971</u>
Fund balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved	<u>7,753,701</u>	<u>192,841</u>	<u>611,424</u>	<u>21,500,130</u>
Total Fund Balances	<u>7,753,701</u>	<u>192,841</u>	<u>611,424</u>	<u>21,500,130</u>
Total Liabilities and Fund Balances	<u>\$ 7,753,701</u>	<u>\$ 192,841</u>	<u>\$ 627,009</u>	<u>\$ 23,061,101</u>

Debt Service Funds

Regular Levy	Special Levy	L.I.D. Guaranty	Total
\$ -	\$ 212,904	\$ 65,599	\$ 278,503
-	-	-	-
-	-	770,730	770,730
-	54,259	-	54,259
-	-	-	-
-	-	4,031	4,031
-	-	-	-
-	-	-	-
\$ -	\$ 267,163	\$ 840,360	\$ 1,107,523
-	-	-	-
\$ -	\$ 195	\$ -	\$ 195
-	-	-	-
-	-	-	-
-	-	-	-
-	53,604	-	53,604
-	53,799	-	53,799
-	213,364	840,360	1,053,724
-	-	-	-
-	213,364	840,360	1,053,724
\$ -	\$ 267,163	\$ 840,360	\$ 1,107,523

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Park Acqiusition and Renovation	G.O. Bonds Fire	Total	
ASSETS				
Cash and cash equivalents	\$ 927,241	\$ 79,945	\$ 1,007,186	\$ 3,810,135
Cash with outside agency	-	-	-	10,000
Investments	-	-	-	19,361,221
Receivables:				
Taxes	-	-	-	248,126
Accounts	-	-	-	90,815
Interest	-	156	156	82,996
Due from other governments	-	-	-	1,566,238
Restricted assets:				
Deposit cash	-	-	-	6,435
Total Assets	\$ 927,241	\$ 80,101	\$ 1,007,342	\$ 25,175,966
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 185,173
Employee wages payable	-	-	-	155,426
Due to Other Funds	-	-	-	1,214,032
Payable from restricted assets:				
Deposits payable	-	-	-	6,535
Unearned revenues	-	-	-	53,604
Total Liabilities	-	-	-	1,614,770
Fund balances				
Reserved for:				
Debt service	-	-	-	1,053,724
Unreserved	927,241	80,101	1,007,342	22,507,472
Total Fund Balances	927,241	80,101	1,007,342	23,561,196
Total Liabilities and Fund Balances	\$ 927,241	\$ 80,101	\$ 1,007,342	\$ 25,175,966

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

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	Special Revenue Funds		
	Recreation Activities	Arts Activity	Park Maintenance and Operation
REVENUES			
Taxes	\$ -	\$ -	\$ 666,515
Contributions from property owners	86,948	11,932	1,390
Intergovernmental	11,477	26,030	-
Charges for services	1,090,354	211	-
Fines and forfeitures	-	-	-
Investment income	5,144	2,857	1,579
Miscellaneous	83,341	13,053	37,130
Total Revenues	<u>1,277,264</u>	<u>54,083</u>	<u>706,614</u>
EXPENDITURES			
Current			
General government	-	-	-
Security of persons and property	-	-	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Mental/physical health	-	-	-
Culture and recreation	1,563,147	125,086	775,368
Capital outlay	-	12,000	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>1,563,147</u>	<u>137,086</u>	<u>775,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(285,883)</u>	<u>(83,003)</u>	<u>(68,754)</u>
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	167,300	79,181	-
Transfers out	(19,000)	-	-
Total other financing sources (uses)	<u>148,300</u>	<u>79,181</u>	<u>-</u>
Net change in fund balances	<u>(137,583)</u>	<u>(3,822)</u>	<u>(68,754)</u>
Fund balances-beginning	202,654	165,271	268,974
Fund balances-ending	<u>\$ 65,071</u>	<u>\$ 161,449</u>	<u>\$ 200,220</u>

	Special Revenue Funds		
	Cable Access	Operating Grants	Housing and Community Development
REVENUES			
Taxes	\$ -	\$ -	\$ -
Contributions from property owners	343,697	-	-
Intergovernmental	-	192,839	208,299
Charges for services	-	153	-
Fines and forfeitures	-	-	-
Investment income	835	-	-
Miscellaneous	505,905	-	-
Total Revenues	<u>850,437</u>	<u>192,992</u>	<u>208,299</u>
EXPENDITURES			
Current			
General government	-	-	-
Security of persons and property	-	-	-
Physical environment	-	-	-
Transportation	-	590,856	-
Economic environment	69,629	-	648,383
Mental/physical health	-	-	78,745
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>69,629</u>	<u>590,856</u>	<u>727,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>780,808</u>	<u>(397,864)</u>	<u>(518,829)</u>
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	-	467,319	535,409
Transfers out	-	(803,192)	-
Total other financing sources (uses)	<u>-</u>	<u>(335,873)</u>	<u>535,409</u>
Net change in fund balances	<u>780,808</u>	<u>(733,737)</u>	<u>16,580</u>
Fund balances-beginning	-	1,058,799	45,801
Fund balances-ending	<u>\$ 780,808</u>	<u>\$ 325,062</u>	<u>\$ 62,381</u>

Special Revenue Funds

Operating Reserve	Advanced Life Support	Capital Equipment	Fire Equipment
\$ -	\$ -	\$ -	\$ -
-	24,500	-	20,628
-	3,046,045	-	-
-	-	-	-
-	-	-	-
-	-	50,138	27,494
-	-	-	12,181
-	3,070,545	50,138	60,303
-	-	593,785	4,550
171,233	3,016,213	125,727	19,392
-	-	8,446	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	161,435	-
-	32,436	328,419	422,999
-	-	-	-
-	-	-	-
171,233	3,048,649	1,217,812	446,941
(171,233)	21,896	(1,167,674)	(386,638)
-	-	-	24,450
64,271	-	1,000,000	461,000
(537,069)	(9,361)	-	-
(472,798)	(9,361)	1,000,000	485,450
(644,031)	12,535	(167,674)	98,812
6,050,421	-	2,122,422	1,250,204
\$ 5,406,390	\$ 12,535	\$ 1,954,748	\$ 1,349,016

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

	Special Revenue Funds		
	Real Estate Excise Tax	Felony Seizure	Emergency Dispatch
REVENUES			
Taxes	\$ 3,167,747	\$ -	\$ -
Contributions from property owners	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	1,883	-
Investment income	44,107	-	1,786
Miscellaneous	-	-	-
Total Revenues	<u>3,211,854</u>	<u>1,883</u>	<u>1,786</u>
EXPENDITURES			
Current	-	-	-
General government	-	-	-
Security of persons and property	-	45,531	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Mental/physical health	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	27,188
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>-</u>	<u>45,531</u>	<u>27,188</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,211,854</u>	<u>(43,648)</u>	<u>(25,402)</u>
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(2,129,056)	-	-
Total other financing sources (uses)	<u>(2,129,056)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,082,798	(43,648)	(25,402)
Fund balances-beginning	1,319,908	144,010	146,818
Fund balances-ending	<u>\$ 2,402,706</u>	<u>\$ 100,362</u>	<u>\$ 121,416</u>

Special Revenue Funds

Business License Surcharge	Tourism	Solid Waste Recycling	Total
\$ 4,062,208	\$ 138,770	\$ -	\$ 8,035,240
-	-	-	489,095
-	-	112,494	3,597,184
-	-	394,901	1,485,619
-	-	-	1,883
252,156	2,715	14,780	403,591
-	-	2,651	654,261
<u>4,314,364</u>	<u>141,485</u>	<u>524,826</u>	<u>14,666,873</u>
-	-	-	598,335
-	-	-	3,378,096
-	-	442,574	451,020
-	-	-	590,856
-	30,287	-	748,299
-	-	-	78,745
-	-	-	2,625,036
-	-	-	823,042
-	-	-	-
-	-	-	-
<u>-</u>	<u>30,287</u>	<u>442,574</u>	<u>9,293,429</u>
<u>4,314,364</u>	<u>111,198</u>	<u>82,252</u>	<u>5,373,444</u>
-	-	-	24,450
803,192	-	-	3,577,672
<u>(4,111,525)</u>	<u>(43,000)</u>	<u>(124,910)</u>	<u>(7,777,113)</u>
<u>(3,308,333)</u>	<u>(43,000)</u>	<u>(124,910)</u>	<u>(4,174,991)</u>
1,006,031	68,198	(42,658)	1,198,453
6,747,670	124,643	654,082	20,301,677
<u>\$ 7,753,701</u>	<u>\$ 192,841</u>	<u>\$ 611,424</u>	<u>\$ 21,500,130</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

Page 6 of 7

	Debt Service Funds			
	Regular Levy	Special Levy	L.I.D. Guaranty	Total
REVENUES				
Taxes	\$ -	\$ 2,905,750	\$ -	\$ 2,905,750
Contributions from property owners	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	14,585	14,585
Miscellaneous	-	-	-	-
Total Revenues	-	2,905,750	14,585	2,920,335
EXPENDITURES				
Current				
General government	-	-	-	-
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	2,400,000	-	2,400,000
Interest	-	505,300	372	505,672
Total Expenditures	-	2,905,300	372	2,905,672
Excess (deficiency) of revenues over (under) expenditure	-	450	14,213	14,663
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(43,822)	(43,822)
Total other financing sources (uses)	-	-	(43,822)	(43,822)
Net change in fund balances	-	450	(29,609)	(29,159)
Fund balances-beginning	-	212,914	869,969	1,082,883
Fund balances-ending	\$ -	\$ 213,364	\$ 840,360	\$ 1,053,724

Capital Projects Funds			Total Nonmajor Governmental Funds
Park Acquisition and Renovation	G.O. Bonds Fire	Total	
\$ -	\$ -	\$ -	\$ 10,940,990
-	-	-	489,095
-	-	-	3,597,184
-	-	-	1,485,619
-	-	-	1,883
8,657	861	9,518	427,694
-	-	-	654,261
<u>8,657</u>	<u>861</u>	<u>9,518</u>	<u>17,596,726</u>
-	-	-	598,335
-	-	-	3,378,096
-	-	-	451,020
-	-	-	590,856
-	-	-	748,299
-	-	-	78,745
541	-	541	2,625,577
-	-	-	823,042
-	-	-	2,400,000
-	-	-	505,672
<u>541</u>	<u>-</u>	<u>541</u>	<u>12,199,642</u>
<u>8,116</u>	<u>861</u>	<u>8,977</u>	<u>5,397,084</u>
-	-	-	24,450
-	-	-	3,577,672
-	-	-	(7,820,935)
-	-	-	(4,218,813)
8,116	861	8,977	1,178,271
919,125	79,240	998,365	22,382,925
<u>\$ 927,241</u>	<u>\$ 80,101</u>	<u>\$ 1,007,342</u>	<u>\$ 23,561,196</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RECREATION ACTIVITIES SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 8,000	\$ 8,000	\$ 11,477	\$ 3,477
Charges for services	2,654,700	2,654,700	1,090,354	(1,564,346)
Investment income	24,000	24,000	5,144	(18,856)
Miscellaneous	188,300	188,300	170,289	(18,011)
Total Revenues	<u>2,875,000</u>	<u>2,875,000</u>	<u>1,277,264</u>	<u>(1,597,736)</u>
EXPENDITURES				
Culture and recreation	<u>2,892,719</u>	<u>2,892,719</u>	<u>1,563,147</u>	<u>1,329,572</u>
Total Expenditures	<u>2,892,719</u>	<u>2,892,719</u>	<u>1,563,147</u>	<u>1,329,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,719)</u>	<u>(17,719)</u>	<u>(285,883)</u>	<u>(268,164)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	-	167,300	167,300
Transfers out	<u>(38,000)</u>	<u>(38,000)</u>	<u>(19,000)</u>	<u>19,000</u>
Total other financing sources (uses)	<u>32,000</u>	<u>(38,000)</u>	<u>148,300</u>	<u>186,300</u>
Net change in fund balance	14,281	(55,719)	(137,583)	(81,864)
Fund balance-beginning	<u>193,597</u>	<u>193,597</u>	<u>202,654</u>	<u>9,057</u>
Fund balance-ending	<u>\$ 207,878</u>	<u>\$ 137,878</u>	<u>\$ 65,071</u>	<u>\$ (72,807)</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

ARTS ACTIVITY SPECIAL REVENUE FUND

For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 26,030	\$ 6,030
Charges for services	-	-	211	211
Investment income	6,200	6,200	2,857	(3,343)
Miscellaneous	41,000	41,000	24,985	(16,015)
Total Revenues	67,200	67,200	54,083	(13,117)
EXPENDITURES				
Culture and recreation	239,588	239,588	125,086	114,502
Capital outlay	92,000	92,000	12,000	80,000
Total Expenditures	331,588	331,588	137,086	194,502
Excess (deficiency) of revenues over (under) expenditures	(264,388)	(264,388)	(83,003)	181,385
OTHER FINANCING SOURCES (USES)				
Transfers in	199,061	199,061	79,181	(119,880)
Total other financing sources (uses)	199,061	199,061	79,181	(119,880)
Net change in fund balance	(65,327)	(65,327)	(3,822)	61,505
Fund balance-beginning	170,439	170,439	165,271	(5,168)
Fund balance-ending	\$ 105,112	\$ 105,112	\$ 161,449	\$ 56,337

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS MAINTENANCE AND OPERATION SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,333,030	\$ 1,333,030	\$ 666,515	\$ (666,515)
Investment income	8,400	8,400	1,579	(6,821)
Miscellaneous	73,230	73,230	38,520	(34,710)
Total Revenues	1,414,660	1,414,660	706,614	(708,046)
EXPENDITURES				
Culture and recreation	1,531,722	1,531,722	775,368	756,354
Total Expenditures	1,531,722	1,531,722	775,368	756,354
Excess (deficiency) of revenues over (under) expenditures	(117,062)	(117,062)	(68,754)	48,308
OTHER FINANCING SOURCES (USES)				
Transfers in	3,300	-	-	-
Total other financing sources (uses)	3,300	-	-	-
Net change in fund balance	(113,762)	(117,062)	(68,754)	48,308
Fund balance-beginning	212,607	212,607	268,974	56,367
Fund balance-ending	\$ 98,845	\$ 95,545	\$ 200,220	\$ 104,675

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CABLE ACCESS SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions	\$ -	\$ 450,000	\$ 343,697	\$ (106,303)
Investment interest	-	-	835	835
Miscellaneous	-	505,905	505,905	-
Total Revenues	-	955,905	850,437	(105,468)
EXPENDITURES				
Economic development	-	655,905	69,629	586,276
Total Expenditures	-	655,905	69,629	586,276
Excess (deficiency) of revenues over (under) expenditures	-	300,000	780,808	480,808
Net change in fund balance	-	300,000	780,808	480,808
Fund balance-beginning	-	-	-	-
Fund balance-ending	\$ -	\$ 300,000	\$ 780,808	\$ 480,808

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OPERATING GRANTS SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 550,000	\$ -	\$ -	\$ -
Intergovernmental	174,688	289,141	192,839	(96,302)
Charges for services	-	-	153	153
Total Revenues	<u>724,688</u>	<u>289,141</u>	<u>192,992</u>	<u>(96,149)</u>
EXPENDITURES				
Transportation	1,395,019	2,209,326	590,856	1,618,470
Capital outlay	<u>302,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,697,019</u>	<u>2,209,326</u>	<u>590,856</u>	<u>1,618,470</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(972,331)</u>	<u>(1,920,185)</u>	<u>(397,864)</u>	<u>1,522,321</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	170,000	870,000	467,319	(402,681)
Transfers out	<u>-</u>	<u>-</u>	<u>(803,192)</u>	<u>(803,192)</u>
Total other financing sources (uses)	<u>170,000</u>	<u>870,000</u>	<u>(335,873)</u>	<u>(1,205,873)</u>
Net change in fund balance	<u>(802,331)</u>	<u>(1,050,185)</u>	<u>(733,737)</u>	<u>316,448</u>
Fund balance-beginning	<u>881,240</u>	<u>1,058,799</u>	<u>1,058,799</u>	<u>-</u>
Fund balance-ending	<u>\$ 78,909</u>	<u>\$ 8,614</u>	<u>\$ 325,062</u>	<u>\$ 316,448</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL HOUSING AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 270,517	\$ 288,359	\$ 208,299	\$ (80,060)
Total Revenues	270,517	288,359	208,299	(80,060)
EXPENDITURES				
Economic development	1,158,995	1,223,248	648,383	574,865
Mental/physical health	152,000	157,490	78,745	78,745
Total Expenditures	1,310,995	1,380,738	727,128	653,610
Excess (deficiency) of revenues over (under) expenditures	(1,040,478)	(1,092,379)	(518,829)	573,550
OTHER FINANCING SOURCES (USES)				
Transfers in	1,029,922	1,075,922	535,409	(540,513)
Total other financing sources (uses)	1,029,922	1,075,922	535,409	(540,513)
Net change in fund balance	(10,556)	(16,457)	16,580	33,037
Fund balance-beginning	10,556	45,801	45,801	-
Fund balance-ending	\$ -	\$ 29,344	\$ 62,381	\$ 33,037

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OPERATING RESERVE SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
EXPENDITURES	\$	\$	\$	\$
Security of persons and property	-	-	171,233	171,233
Total expenditures	-	-	171,233	171,233
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 193,431	\$ -	\$ 64,271	\$ 64,271
Transfers out	-	(537,069)	(537,069)	-
Total other financing sources (uses)	193,431	(537,069)	(472,798)	64,271
Net change in fund balance	193,431	(537,069)	(644,031)	(106,962)
Fund balance-beginning	6,050,421	6,050,421	6,050,421	-
Fund balance-ending	\$ 6,243,852	\$ 5,513,352	\$ 5,406,390	\$ (106,962)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ADVANCED LIFE SUPPORT SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 6,604,466	\$ 6,727,966	\$ 3,046,045	\$ (3,681,921)
Contributions	-	8,000	24,500	16,500
Total Revenues	6,604,466	6,735,966	3,070,545	(3,665,421)
EXPENDITURES				
Security of persons and property	6,455,576	6,671,515	3,016,213	3,655,302
Capital outlay	111,863	20,300	32,436	(12,136)
Total Expenditures	6,567,439	6,691,815	3,048,649	3,643,166
Excess (deficiency) of revenues over (under) expenditures	37,027	44,151	21,896	(22,255)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(27,852)	(9,361)	18,491
Total other financing sources (uses)	-	(27,852)	(9,361)	18,491
Net change in fund balance	37,027	16,299	12,535	(3,764)
Fund balance-beginning	-	-	-	-
Fund balance-ending	\$ 37,027	\$ 16,299	\$ 12,535	\$ (3,764)

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	\$ 200,000	\$ 200,000	\$ 50,138	\$ (149,862)
Total Revenues	200,000	200,000	50,138	(149,862)
EXPENDITURES				
Current				
General government	976,660	976,660	593,785	382,875
Security of persons and property	85,425	85,425	125,727	(40,302)
Physical environment	8,440	8,440	8,446	(6)
Culture and recreation	89,355	92,855	161,435	(68,580)
Capital outlay	2,352,646	2,352,646	328,419	2,024,227
Total Expenditures	3,512,526	3,516,026	1,217,812	2,298,214
Excess (deficiency) of revenues over (under) expenditures	(3,312,526)	(3,316,026)	(1,167,674)	2,148,352
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000,000	2,000,000	1,000,000	(1,000,000)
Total other financing sources (uses)	2,000,000	2,000,000	1,000,000	(1,000,000)
Net change in fund balance	(1,312,526)	(1,316,026)	(167,674)	1,148,352
Fund balance-beginning	1,953,314	1,953,314	2,122,422	169,108
Fund balance-ending	\$ 640,788	\$ 637,288	\$ 1,954,748	\$ 1,317,460

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FIRE EQUIPMENT SPECIAL REVENUE FUND For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions	\$ 30,000	\$ 30,000	\$ 20,628	\$ (9,372)
Investment income	50,000	50,000	27,494	(22,506)
Miscellaneous	24,820	24,820	12,181	(12,639)
Total Revenues	104,820	104,820	60,303	(44,517)
EXPENDITURES				
Current				
General government	-	-	4,550	(4,550)
Security of persons and property	56,700	56,700	19,392	37,308
Capital outlay	818,797	818,797	422,999	395,798
Total Expenditures	875,497	875,497	446,941	428,556
Excess (deficiency) of revenues over (under) expenditures	(770,677)	(770,677)	(386,638)	384,039
OTHER FINANCING SOURCES (USES)				
Disposition of fixed assets	30,000	30,000	24,450	(5,550)
Transfers in	922,000	922,000	461,000	(461,000)
Total other financing sources (uses)	952,000	952,000	485,450	(466,550)
Net change in fund balance	181,323	181,323	98,812	(82,511)
Fund balance-beginning	1,500,258	1,500,258	1,250,204	(250,054)
Fund balance-ending	\$ 1,681,581	\$ 1,681,581	\$ 1,349,016	\$ (332,565)

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REAL ESTATE EXCISE TAX SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 4,200,000	\$ 4,200,000	\$ 3,167,747	\$ (1,032,253)
Investment income	60,000	60,000	44,107	(15,893)
Total Revenues	4,260,000	4,260,000	3,211,854	(1,048,146)
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,200,000)	(4,229,055)	(2,129,056)	2,099,999
Total other financing sources (uses)	(4,200,000)	(4,229,055)	(2,129,056)	2,099,999
Net change in fund balance	60,000	30,945	1,082,798	1,051,853
Fund balance-beginning	616,934	616,934	1,319,908	702,974
Fund balance-ending	\$ 676,934	\$ 647,879	\$ 2,402,706	\$ 1,754,827

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FELONY SEIZURE SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 1,883	\$ (18,117)
Total Revenues	20,000	20,000	1,883	(18,117)
EXPENDITURES				
Security of persons and property	79,460	79,460	45,531	33,929
Total Expenditures	79,460	79,460	45,531	33,929
Excess (deficiency) of revenues over (under) expenditures	(59,460)	(59,460)	(43,648)	15,812
Net change in fund balance	(59,460)	(59,460)	(43,648)	15,812
Fund balance-beginning	59,460	59,460	144,010	84,550
Fund balance-ending	\$ -	\$ -	\$ 100,362	\$ 100,362

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EMERGENCY DISPATCH SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	\$ -	\$ -	\$ 1,786	\$ 1,786
Total Revenues	-	-	1,786	1,786
EXPENDITURES				
Capital outlay	146,500	146,500	27,188	119,312
Total Expenditures	146,500	146,500	27,188	119,312
Excess (deficiency) of revenues over (under) expenditures	(146,500)	(146,500)	(25,402)	121,098
Net change in fund balance	(146,500)	(146,500)	(25,402)	121,098
Fund balance-beginning	146,500	146,500	146,818	318
Fund balance-ending	\$ -	\$ -	\$ 121,416	\$ 121,416

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUSINESS LICENSE SURCHARGE SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 6,611,116	\$ 6,611,116	\$ 4,062,208	\$ (2,548,908)
Investment income	<u>140,000</u>	<u>140,000</u>	<u>252,156</u>	<u>112,156</u>
Total Revenues	6,751,116	6,751,116	4,314,364	(2,436,752)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	803,192	803,192
Transfers out	<u>(6,700,000)</u>	<u>(6,700,000)</u>	<u>(4,111,525)</u>	<u>2,588,475</u>
Total other financing sources (uses)	<u>(6,700,000)</u>	<u>(6,700,000)</u>	<u>(3,308,333)</u>	<u>3,391,667</u>
Net change in fund balance	51,116	51,116	1,006,031	954,915
Fund balance-beginning	<u>6,669,052</u>	<u>6,747,670</u>	<u>6,747,670</u>	<u>-</u>
Fund balance-ending	<u>\$ 6,720,168</u>	<u>\$ 6,798,786</u>	<u>\$ 7,753,701</u>	<u>\$ 954,915</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TOURISM SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 240,000	\$ 240,000	\$ 138,770	\$ (101,230)
Investment income	8,000	8,000	2,715	(5,285)
Total Revenues	248,000	248,000	141,485	(106,515)
EXPENDITURES				
Economic development	248,000	372,643	30,287	342,356
Total Expenditures	248,000	372,643	30,287	342,356
Excess (deficiency) of revenues over (under) expenditures	-	(124,643)	111,198	235,841
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(43,000)	(43,000)
Total other financing sources (uses)	-	-	(43,000)	(43,000)
Net change in fund balance	-	(124,643)	68,198	192,841
Fund balance-beginning	115,042	124,643	124,643	-
Fund balance-ending	\$ 115,042	\$ -	\$ 192,841	\$ 192,841

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL SOLID WASTE RECYCLING SPECIAL REVENUE FUND For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 112,494	\$ 32,494
Charges for services	700,000	700,000	394,901	(305,099)
Investment income	60,000	60,000	14,780	(45,220)
Miscellaneous	-	-	2,651	2,651
Total Revenues	840,000	840,000	524,826	(315,174)
EXPENDITURES				
Physical environment	1,261,451	1,274,586	442,574	832,012
Capital outlay	12,000	12,000	-	12,000
Total Expenditures	1,273,451	1,286,586	442,574	844,012
Excess (deficiency) of revenues over (under) expenditures	(433,451)	(446,586)	82,252	528,838
OTHER FINANCING SOURCES (USES)				
Transfers out	(124,910)	(124,910)	(124,910)	-
Total other financing sources (uses)	(124,910)	(124,910)	(124,910)	-
Net change in fund balance	(558,361)	(571,496)	(42,658)	528,838
Fund balance-beginning	667,297	667,297	654,082	(13,215)
Fund balance-ending	\$ 108,936	\$ 95,801	\$ 611,424	\$ 515,623

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REGULAR LEVY DEBT SERVICE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Principal	\$ -	\$ 671,040	\$ -	\$ 671,040
Interest	-	170,959	-	170,959
Total Expenditures	-	841,999	-	841,999
OTHER FINANCING SOURCES (USES)				
Transfers in	-	841,999	-	(841,999)
Total other financing sources (uses)	-	841,999	-	(841,999)
Net change in fund balance	-	-	-	-
Fund balance-beginning	-	-	-	-
Fund balance-ending	\$ -	\$ -	\$ -	\$ -

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL LEVY DEBT SERVICE FUND
For the Year Ended December 31, 2003

	Original Budget 2003-2004	Final Budget 2003-2004	Actual Biennium-to-date Through 12/31/03	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 5,840,693	\$ 5,840,693	\$ 2,905,750	\$ (2,934,943)
Total Revenues	5,840,693	5,840,693	2,905,750	(2,934,943)
EXPENDITURES				
Principal	4,965,000	4,965,000	2,400,000	2,565,000
Interest	878,693	878,693	505,301	373,392
Total Expenditures	5,843,693	5,843,693	2,905,301	2,938,392
Excess (deficiency) of revenues over (under) expenditures	(3,000)	(3,000)	449	3,449
Net change in fund balance	(3,000)	(3,000)	449	3,449
Fund balance-beginning	200,120	200,120	212,914	12,794
Fund balance-ending	\$ 197,120	\$ 197,120	\$ 213,363	\$ 16,243

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Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to another department or agency of the City.

*The **Fleet Maintenance Fund** accounts for the cost of maintaining all City vehicles and construction equipment except fire equipment. All costs, including depreciation, are included in establishing the rate to be charged to each department.*

*The **Insurance Fund** accounts for the payment of all city insurance premiums and claims for which each city department is charged.*

*The **Medical Self Insurance Fund** accounts for all revenues, expenses and reserves associated with the City's medical self-insurance program.*

*The **Workman's Compensation Fund** accounts for all revenues, expenses, and reserves associated with the City's workers compensation self-insurance program.*

*The **Information Technology Fund** accounts for the costs of information technology implementation, management, and support for all City departments.*

CITY OF REDMOND

COMBINING STATEMENT OF NET ASSETS

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INTERNAL SERVICE FUNDS

December 31, 2003

	Fleet Maintenance	Insurance
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 284,698	\$ 13,920
Investments	4,182,556	187,232
Receivables:		
Interest	39,694	1,354
Inventory	32,005	-
Total current assets	<u>4,538,953</u>	<u>202,506</u>
Current assets restricted:		
Deposits	-	-
Total current assets restricted	<u>-</u>	<u>-</u>
Noncurrent assets:		
Land	584,292	-
Buildings	510,196	-
Improvements other than buildings	248,876	-
Equipment	8,304,053	-
Less accumulated depreciation	<u>(5,365,946)</u>	<u>-</u>
Total noncurrent assets	<u>4,281,471</u>	<u>-</u>
Total assets	<u>\$ 8,820,424</u>	<u>\$ 202,506</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 8,815	\$ 2,102
Employee wages payable	30,670	10,440
Vacations payable	17,331	17,332
Due to other governments		6,954
Deposits payable	-	-
Total current liabilities	<u>56,816</u>	<u>36,828</u>
Noncurrent liabilities:		
Compensated absences	<u>4,333</u>	<u>4,333</u>
Total noncurrent liabilities	<u>4,333</u>	<u>4,333</u>
Total liabilities	<u>61,149</u>	<u>41,161</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,281,471	-
Unrestricted	<u>4,477,804</u>	<u>161,345</u>
Total net assets	<u>\$ 8,759,275</u>	<u>\$ 161,345</u>

CITY OF REDMOND

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Medical Self-Insurance	Workman's Compensation	Information Technology	Total
\$ 91,102	\$ 2,897	\$ 761,157	\$ 1,153,774
1,360,002	-	-	5,729,790
12,595	-	-	53,643
-	-	-	32,005
<u>1,463,699</u>	<u>2,897</u>	<u>761,157</u>	<u>6,969,212</u>
233	-	-	233
<u>233</u>	<u>-</u>	<u>-</u>	<u>233</u>
-	-	-	584,292
-	-	109,298	619,494
-	-	-	248,876
-	-	68,238	8,372,291
-	-	(23,979)	(5,389,925)
-	-	153,557	4,435,028
<u>\$ 1,463,932</u>	<u>\$ 2,897</u>	<u>\$ 914,714</u>	<u>\$ 11,404,473</u>
\$ 606,884	\$ 32,361	\$ 46,143	\$ 696,305
-	-	65,467	106,577
-	-	55,326	89,989
-	-	-	6,954
233	-	-	233
<u>607,117</u>	<u>32,361</u>	<u>166,936</u>	<u>900,058</u>
-	-	13,831	22,497
-	-	13,831	22,497
<u>607,117</u>	<u>32,361</u>	<u>180,767</u>	<u>922,555</u>
-	-	153,557	4,435,028
<u>856,815</u>	<u>(29,464)</u>	<u>580,390</u>	<u>6,046,890</u>
<u>\$ 856,815</u>	<u>\$ (29,464)</u>	<u>\$ 733,947</u>	<u>\$ 10,481,918</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS

For the year ended December 31, 2003

	Fleet Maintenance	Insurance
Operating revenues:		
Charges for services	\$ 191,357	\$ -
Charges for replacement	2,081,177	-
Charges for insurance	-	1,052,661
Total operating revenues	<u>2,272,534</u>	<u>1,052,661</u>
Operating expenses:		
Administrative and general	-	975,222
Maintenance and operations	762,651	-
Supplies	283,208	2,110
Depreciation and amortization	936,213	-
Total operating expenses	<u>1,982,072</u>	<u>977,332</u>
Operating income (loss)	<u>290,462</u>	<u>75,329</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	94,890	994
Gain on sale of capital assets	22,231	-
Miscellaneous	1,700	-
Total nonoperating revenues (expenses)	<u>118,821</u>	<u>994</u>
Income (loss) before contributions and transfers	<u>409,283</u>	<u>76,323</u>
Transfers in	161,292	-
Transfers out	-	-
Change in net assets	<u>570,575</u>	<u>76,323</u>
Total net assets - beginning	<u>8,188,701</u>	<u>85,022</u>
Total net assets - ending	<u>\$ 8,759,276</u>	<u>\$ 161,345</u>

Medical Self-Insurance	Workman's Compensation	Information Technology	Total
\$ -	\$ -	\$ 2,060,199	\$ 2,251,556
-	-	-	2,081,177
4,553,759	287,668	-	5,894,088
<u>4,553,759</u>	<u>287,668</u>	<u>2,060,199</u>	<u>10,226,821</u>
4,391,035	337,908	2,097,830	7,801,995
-	-	-	762,651
2,915	-	167,172	455,405
-	-	9,985	946,198
<u>4,393,950</u>	<u>337,908</u>	<u>2,274,987</u>	<u>9,966,249</u>
<u>159,809</u>	<u>(50,240)</u>	<u>(214,788)</u>	<u>260,572</u>
31,083	(148)	-	126,819
-	-	-	22,231
<u>289,177</u>	<u>-</u>	<u>5,191</u>	<u>296,068</u>
<u>320,260</u>	<u>(148)</u>	<u>5,191</u>	<u>445,118</u>
<u>480,069</u>	<u>(50,388)</u>	<u>(209,597)</u>	<u>705,690</u>
-	-	-	161,292
(64,271)	-	-	(64,271)
<u>415,798</u>	<u>(50,388)</u>	<u>(209,597)</u>	<u>802,711</u>
<u>441,017</u>	<u>20,923</u>	<u>943,544</u>	<u>9,679,207</u>
\$ <u><u>856,815</u></u>	\$ <u><u>(29,465)</u></u>	\$ <u><u>733,947</u></u>	\$ <u><u>10,481,918</u></u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2003

	Fleet Maintenance	Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 191,357	\$ 1,052,661
Cash received for replacement	2,081,177	-
Cash payments to suppliers	(391,738)	(707,015)
Cash payments to employees	(444,760)	(238,472)
Internal activity - payments to other funds	(238,748)	(25,053)
Other operating receipts and payments	-	-
Net cash provided (used) by operating activities	<u>1,197,288</u>	<u>82,121</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants		
Transfers out	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(624,670)	-
Proceeds from sale of capital assets	31,375	-
Proceeds from sale of other assets	1,700	-
Net cash used for capital and related financing activities	<u>(591,595)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(824,602)	(82,266)
Investment sales/maturities	-	-
Interest on investments	107,506	580
Net cash provided (used) in investing activities	<u>(717,096)</u>	<u>(81,686)</u>
Net increase (decrease) in cash and cash equivalents	(111,403)	435
Cash and cash equivalents-beginning of year	396,101	13,485
Cash and cash equivalents-end of year	<u>\$ 284,698</u>	<u>\$ 13,920</u>
Cash at the end of the year consists of:		
Operating fund cash	284,698	13,920
Customer deposits	-	-
Total cash at end of year	<u>\$ 284,698</u>	<u>\$ 13,920</u>

Medical Self-Insurance	Workman's Compensation	Information Technology	Total
\$ 4,553,757	\$ 287,668	\$ 2,060,199	\$ 8,145,642
-	-	-	2,081,177
(4,326,332)	-	(706,597)	(6,131,682)
-	(338,885)	(1,358,169)	(2,380,286)
-	-	(128,927)	(392,728)
289,177	-	-	289,177
<u>516,602</u>	<u>(51,217)</u>	<u>(133,494)</u>	<u>1,611,300</u>
		5,191	5,191
(64,271)	-	-	(64,271)
<u>(64,271)</u>	<u>-</u>	<u>5,191</u>	<u>(59,080)</u>
-	-	(18,479)	(643,149)
-	-	-	31,375
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,700</u>
-	-	(18,479)	(610,074)
(497,346)	-	-	(1,404,214)
-	48,075	-	48,075
34,690	-	-	142,776
<u>(462,656)</u>	<u>48,075</u>	<u>-</u>	<u>(1,213,363)</u>
(10,325)	(3,142)	(146,782)	(271,217)
101,660	6,039	907,939	1,425,224
<u>\$ 91,335</u>	<u>\$ 2,897</u>	<u>\$ 761,157</u>	<u>\$ 1,154,007</u>
91,102	2,897	761,157	1,153,774
233	-	-	233
<u>\$ 91,335</u>	<u>\$ 2,897</u>	<u>\$ 761,157</u>	<u>\$ 1,154,007</u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2003

	Fleet Maintenance	Insurance
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 290,462	\$ 75,329
Adjustments to reconcile operating income to net cash provided by Operating activities:		
Depreciation	936,213	-
Decrease in inventory	7,191	-
Increase (decrease) in accounts payable	(42,330)	3,412
Increase in employee wages payable	13,032	3,115
Increase (decrease) in employee vacations payable	(7,280)	265
Decrease in customer deposits payable	-	-
Reclassify other income	-	-
Net cash provided (used) by operating activities	\$ <u>1,197,288</u>	\$ <u>82,121</u>

Medical Self-Insurance	Workman's Compensation	Information Technology	Total
\$ 159,809	\$ (50,240)	\$ (214,788)	\$ 260,572
-	-	9,985	946,198
-	-	-	7,191
67,618	(977)	38,350	66,073
-	-	16,339	32,486
-	-	16,620	9,605
(2)	-	-	(2)
289,177	-	-	289,177
<u>\$ 516,602</u>	<u>\$ (51,217)</u>	<u>\$ (133,494)</u>	<u>\$ 1,611,300</u>

Noncash investing, capital and financing activities:

Other funds of the city transferred vehicles valued at	\$	161,292
The fair value of investments in the Fleet Maintenance Fund increased by		1,122
The fair value of investments in the Insurance Fund increased by		1,226
The fair value of investments in the Medical Self-Insurance Fund decreased by		(874)
The fair value of investments in the Workmen's Compensation Fund increased by		628

Agency Funds

Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

*The **Intergovernmental Custodial Fund** accounts for revenues which are transferred to other governmental agencies.*

*The **Municipal Employees Benefit Trust** accounts for retirement monies until they are transferred to an investment firm. In 1975, city employees voted to replace the Federal Social Security Program with this private retirement plan.*

*The **Contractors Deposit Fund** accounts for cash bond deposits received from contractors or private parties and amounts retained from contractor's payments on City projects as a performance guarantee.*

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 December 31, 2003

	Inter- Governmental Custodial	MEBT	Contractor's Deposits	Total
ASSETS				
Cash and cash equivalents	\$ 6,543	\$ 164,201	\$ 1,039,007	\$ 1,209,751
Receivables				
Accounts	760	-	-	760
Total assets	<u>\$ 7,303</u>	<u>\$ 164,201</u>	<u>\$ 1,039,007</u>	<u>\$ 1,210,511</u>
LIABILITIES				
Due to other governments	\$ 7,303	\$ -	\$ -	\$ 7,303
Custodial	-	164,201	1,039,007	1,203,208
Total liabilities	<u>\$ 7,303</u>	<u>\$ 164,201</u>	<u>\$ 1,039,007</u>	<u>\$ 1,210,511</u>

COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2003

Page 1 of 2

	1-1-03 BALANCE	ADDITIONS	DELETIONS	12-31-03 BALANCE
INTERGOVERNMENTAL CUSTODIAL				
ASSETS				
Cash and cash equivalents	\$ 5,883	\$ 35,828	\$ 35,168	\$ 6,543
Accounts receivable	1,157	4,528	4,925	760
Total assets	<u>\$ 7,040</u>	<u>\$ 40,356</u>	<u>\$ 40,093</u>	<u>\$ 7,303</u>
LIABILITIES				
Due to other governments	\$ 7,040	\$ 53,063	\$ 52,800	\$ 7,303
Total liabilities	<u>\$ 7,040</u>	<u>\$ 53,063</u>	<u>\$ 52,800</u>	<u>\$ 7,303</u>
MEBT				
ASSETS				
Cash and cash equivalents	\$ 105,957	\$ 2,886,104	\$ 2,827,860	\$ 164,201
Total assets	<u>\$ 105,957</u>	<u>\$ 2,886,104</u>	<u>\$ 2,827,860</u>	<u>\$ 164,201</u>
LIABILITIES				
Custodial	\$ 105,957	\$ 2,886,114	\$ 2,827,870	\$ 164,201
Total liabilities	<u>\$ 105,957</u>	<u>\$ 2,886,114</u>	<u>\$ 2,827,870</u>	<u>\$ 164,201</u>
CONTRACTORS DEPOSIT				
ASSETS				
Cash and cash equivalents	\$ 365,976	\$ 877,817	\$ 204,786	\$ 1,039,007
Total assets	<u>\$ 365,976</u>	<u>\$ 877,817</u>	<u>\$ 204,786</u>	<u>\$ 1,039,007</u>
LIABILITIES				
Trust account	\$ 365,976	\$ 877,817	\$ 204,786	\$ 1,039,007
Total liabilities	<u>\$ 365,976</u>	<u>\$ 877,817</u>	<u>\$ 204,786</u>	<u>\$ 1,039,007</u>

COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2003

Page 2 of 2

	12-31-03 BALANCE	ADDITIONS	DELETIONS	12-31-03 BALANCE
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 477,816	\$ 3,799,749	\$ 3,067,814	\$ 1,209,751
Accounts receivable	1,157	4,528	4,925	760
Total assets	<u>\$ 478,973</u>	<u>\$ 3,804,277</u>	<u>\$ 3,072,739</u>	<u>\$ 1,210,511</u>
LIABILITIES				
Due to other governments	\$ 7,040	\$ 53,063	\$ 52,800	\$ 7,303
Custodial	105,957	2,886,114	2,827,870	164,201
Trust account	365,976	877,817	204,786	1,039,007
Total liabilities	<u>\$ 478,973</u>	<u>\$ 3,816,994</u>	<u>\$ 3,085,456</u>	<u>\$ 1,210,511</u>

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**Capital Assets
Used in the Operation
of Governmental Funds**

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Governmental funds capital assets:		
Land	\$ 40,688,751	\$ 38,831,868
Buildings	25,976,287	25,525,839
Improvements other than buildings	9,769,890	6,356,442
Machinery and equipment	8,623,666	7,716,656
Artwork	210,255	198,255
Infrastructure	122,043,867	119,651,104
Construction in progress	25,604,157	11,565,032
Total governmental funds capital assets	<u>\$ 232,916,873</u>	<u>\$ 209,845,196</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 184,888,954	\$ 164,865,842
Special revenue funds	6,446,965	6,510,366
Impact fees	3,506,079	2,164,164
Federal grants	654,283	654,283
General obligation bonds	28,096,006	28,096,006
Private gifts	9,324,586	7,554,535
Total governmental funds capital assets	<u>\$ 232,916,873</u>	<u>\$ 209,845,196</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2003

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	ARTWORK	INFRA- STRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General government								
Finance	\$ -	\$ -	\$ -	\$ 1,874,252	\$ -	\$ -	\$ -	\$ 1,874,252
Planning	-	-	-	239,198	-	-	-	239,198
General government	7,657,146	3,530,090	1,496,318	-	-	-	36,401	12,719,955
Public works/general	1,084,046	845,958	267,533	150,817	-	-	-	2,348,354
Total general government	<u>8,741,192</u>	<u>4,376,048</u>	<u>1,763,851</u>	<u>2,264,267</u>	<u>-</u>	<u>-</u>	<u>36,401</u>	<u>17,181,759</u>
Security								
Police	-	4,914,770	92,458	1,184,482	-	-	-	6,191,710
Fire	1,759,595	9,329,558	190,282	4,941,613	-	-	-	16,221,048
Total security	<u>1,759,595</u>	<u>14,244,328</u>	<u>282,740</u>	<u>6,126,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,412,758</u>
Transportation	<u>20,382,075</u>	<u>-</u>	<u>-</u>	<u>81,333</u>	<u>-</u>	<u>119,998,859</u>	<u>20,017,216</u>	<u>160,479,483</u>
Culture and recreation								
Parks and recreation	9,699,075	5,533,386	7,523,299	115,534	210,255	2,045,008	5,550,540	30,677,097
Senior center	106,814	1,822,525	200,000	36,437	-	-	-	2,165,776
Total culture and recreation	<u>9,805,889</u>	<u>7,355,911</u>	<u>7,723,299</u>	<u>151,971</u>	<u>210,255</u>	<u>2,045,008</u>	<u>5,550,540</u>	<u>32,842,873</u>
Total governmental funds capital assets	<u>\$ 40,688,751</u>	<u>\$ 25,976,287</u>	<u>\$ 9,769,890</u>	<u>\$ 8,623,666</u>	<u>\$ 210,255</u>	<u>\$ 122,043,867</u>	<u>\$ 25,604,157</u>	<u>\$ 232,916,873</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended December 31, 2003

	Governmental Funds Capital Assets 1-1-03	Additions	Deductions	Governmental Funds Capital Assets 12-31-03
FUNCTION AND ACTIVITY				
General government				
Finance	\$ 1,553,999	\$ 333,014	\$ 12,761	\$ 1,874,252
Planning	224,021	15,177	-	239,198
General government	12,683,554	36,401	-	12,719,955
Public works/general	2,348,354	-	-	2,348,354
Total general government	<u>16,809,928</u>	<u>384,592</u>	<u>12,761</u>	<u>17,181,759</u>
Security				
Police	6,144,468	47,242	-	6,191,710
Fire	15,708,243	1,149,838	637,033	16,221,048
Total security	<u>21,852,711</u>	<u>1,197,080</u>	<u>637,033</u>	<u>22,412,758</u>
Transportation	<u>146,190,286</u>	<u>14,289,197</u>	<u>-</u>	<u>160,479,483</u>
Culture and recreation				
Parks and recreation	22,826,495	8,030,392	179,790	30,677,097
Senior center	2,165,776	-	-	2,165,776
Total culture and recreation	<u>24,992,271</u>	<u>8,030,392</u>	<u>179,790</u>	<u>32,842,873</u>
Total governmental funds capital assets	<u>\$ 209,845,196</u>	<u>\$ 23,901,261</u>	<u>\$ 829,584</u>	<u>\$ 232,916,873</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

TABLE 1

GOVERNMENT-WIDE EXPENSES BY FUNCTION
(In thousands)
LAST TEN FISCAL YEARS*

Fiscal Year	General Govern- ment	Security	Physical Environ- ment	Economic Environ- ment	Transpor- tation	Mental/ Physical Health	Culture and Recreation	Interest on Long-term Debt	Water/ Wastewater	UPD Water/ Wastewater	Storm- Water	Total Expendi- tures
2002	\$ 10,412	\$ 23,486	\$ 3,875	\$ 3,018	\$ 11,583	\$ 85	\$ 2,799	\$ 910	\$ 17,286	\$ 1,622	\$ 3,938	\$ 79,014
2003	10,554	26,711	4,074	3,603	8,633	88	7,779	747	18,323	2,121	4,799	87,432

* Ten year trend information is not available due to initial implementation of GASB 34 on 01/01/2002

TABLE 2

GOVERNMENT-WIDE REVENUES
(In thousands)
LAST TEN FISCAL YEARS*

PROGRAM REVENUES				GENERAL REVENUES			
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Misc.	Total
2002	\$ 40,000	\$ 1,969	\$ 28,694	\$ 43,996	\$ 4,186	\$ 338	\$ 119,183
2003	47,542	2,590	18,032	47,037	2,448	965	118,614

* Ten year trend information is not available due to initial implementation of GASB 34 on 01/01/2002

TABLE 3

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS*
(In thousands)
LAST TEN FISCAL YEARS

Fiscal Year	General Government	%	Security of Persons & Property	%	Physical Environment	%	Transportation	%	Economic Environment	%	Mental/Physical Health	%	Culture and Recreation	%	Capital Outlay	%	Debt ** Services	%	Total Expenditures
1994	\$ 5,687	17.0	\$ 13,156	39.2	\$ 3,167	9.5	\$ 2,353	7.0	\$ 1,849	5.5	\$ 263	0.8	\$ 3,448	10.3	\$ 40	0.1	\$ 3,564	10.6	\$ 33,527
1995	6,210	17.7	13,873	39.5	2,787	7.9	2,501	7.1	1,805	5.1	325	0.9	3,671	10.5	410	1.2	3,517	10.1	35,099
1996	7,140	18.1	16,875	42.8	2,583	6.6	2,775	7.0	2,202	5.5	84	0.2	4,204	10.7	4	0.0	3,556	9.0	39,423
1997	7,459	18.0	17,965	43.4	2,867	6.9	2,616	6.3	2,260	5.5	68	0.2	4,586	11.1	194	0.5	3,367	8.1	41,382
1998	7,520	17.0	19,956	45.2	3,293	7.5	2,642	6.0	2,366	5.4	107	0.2	4,838	11.0	0	0.0	3,413	7.7	44,135
1999	7,848	17.1	20,668	45.0	3,399	7.4	2,655	5.8	2,452	5.3	79	0.2	5,293	11.6	0	0.0	3,484	7.6	45,878
2000	8,809	17.9	22,490	45.1	3,662	7.4	2,817	5.7	2,708	5.5	88	0.2	5,959	12.1	0	0.0	3,004	6.1	49,537
2001	9,409	18.4	22,925	44.9	3,896	7.6	3,002	5.9	2,824	5.5	86	0.2	5,942	11.6	0	0.0	3,012	5.9	51,096
2002	9,268	17.8	22,575	43.5	3,863	7.5	2,674	5.2	2,871	5.5	85	0.2	6,299	12.2	1,343	2.6	2,866	5.5	51,844
2003	9,915	17.5	25,713	45.3	3,816	6.7	3,132	5.5	3,103	5.5	88	0.2	7,217	12.7	842	1.5	2,905	5.1	56,731

* Does not include operating transfers or residual equity transfers

** Excluding LID Control and LID Guaranty Funds

TABLE 4

GENERAL REVENUES BY SOURCE
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS*
(In Thousands)
LAST TEN FISCAL YEARS

Fiscal Year	Taxes	%	Permits and Licenses	%	Inter-governmental	%	Charges for Services	%	Fines	%	Misc.	%	Total Revenues
1994	\$ 26,797	70	\$ 1,649	4.4	\$ 5,533	14.6	\$ 2,742	7.3	\$ 362	1.0	\$ 1,012	2.7	\$ 38,095
1995	28,605	69.4	2,039	5.0	5,465	13.3	3,141	7.6	310	0.8	1,604	3.9	41,164
1996	30,294	67.3	3,141	7.0	5,493	12.2	3,917	8.7	315	0.7	1,855	4.1	45,015
1997	31,975	67	2,985	6.3	6,075	12.7	4,009	8.4	431	0.9	2,234	4.7	47,709
1998	34,625	68.5	3,558	7.0	5,493	10.9	4,281	8.5	595	1.2	1,973	3.9	50,525
1999	40,105	70.1	4,194	7.3	5,516	9.7	4,956	8.7	585	1.0	1,828	3.2	57,184
2000	40,527	68.9	4,067	6.9	5,953	10.2	5,304	9.0	353	0.6	2,556	4.4	58,760
2001	43,101	72.7	3,140	5.3	5,745	9.7	4,907	8.3	300	0.5	2,095	3.5	59,288
2002	42,487	70.4	3,659	6.1	6,589	10.9	5,355	8.9	326	0.5	1,928	3.2	60,344
2003	45,482	68.1	4,427	6.6	9,714	14.6	4,789	7.2	222	0.3	2,124	3.2	66,758

* Excluding LID Contol and LID Guaranty Funds

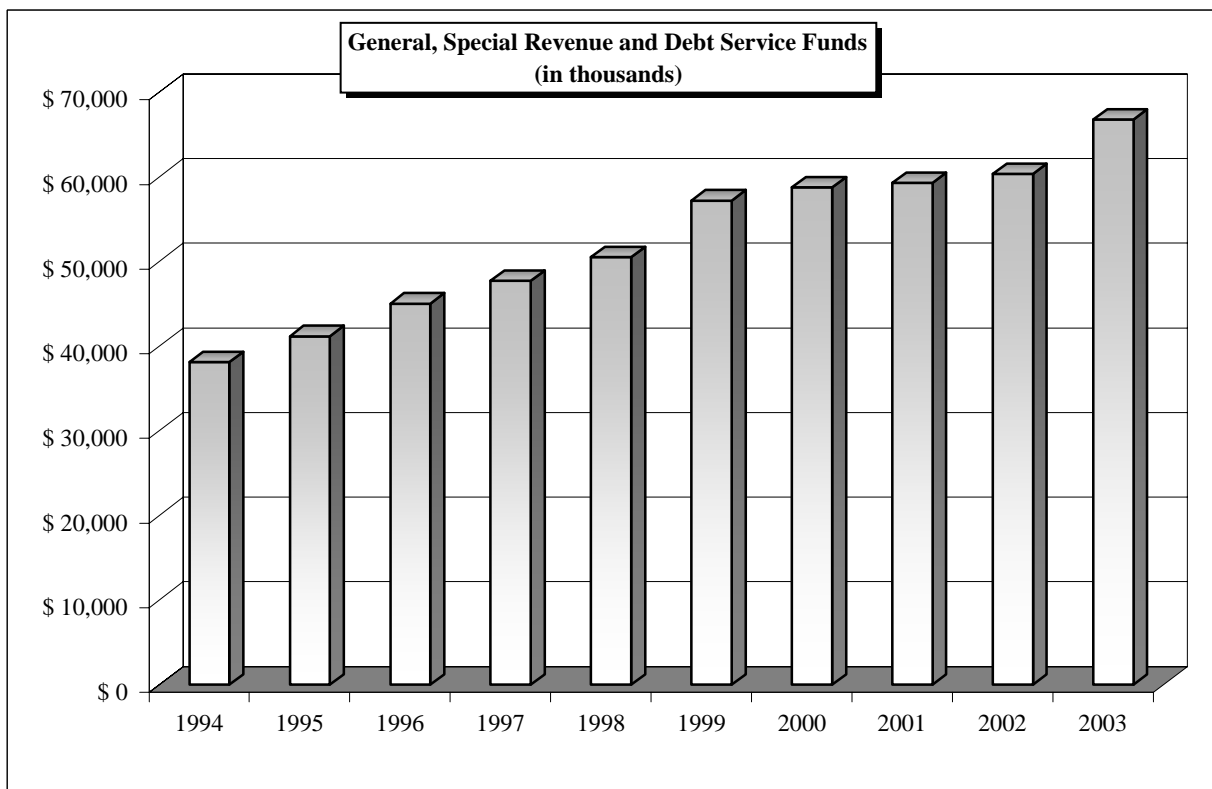


TABLE 5

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Levy*	Current Tax Collections	% of Levy Collected	Delinquent Tax Collections	Total Tax Collections	% of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	% of Outstanding Delinquent to Tax Levy
1994	\$ 9,335,108	\$ 9,235,953	98.94	\$ 239,614	\$ 9,475,567	101.50	\$ 197,105	2.11
1995	9,788,892	9,663,895	98.72	129,978	9,793,873	100.05	192,124	1.96
1996	10,095,764	9,963,974	98.69	147,609	10,111,583	100.16	176,305	1.75
1997	10,609,811	10,514,469	99.1	126,388	10,640,857	100.29	145,259	1.37
1998	11,554,908	11,439,723	99.0	91,429	11,531,152	99.79	169,015	1.46
1999	12,096,945	11,929,378	98.6	126,781	12,056,159	99.66	209,801	1.73
2000	12,232,460	12,095,161	98.9	187,817	12,282,978	100.41	159,283	1.30
2001	12,582,147	12,463,331	99.0	96,392	12,559,723	99.82	181,707	1.44
2002	13,024,297	12,851,125	98.7	119,886	12,971,011	99.59	182,239	1.41
2003	13,424,237	13,203,511	98.4	103,163	13,306,674	99.12	299,803	2.23

Source: King County Assessor's Office

* Includes levy adjustments

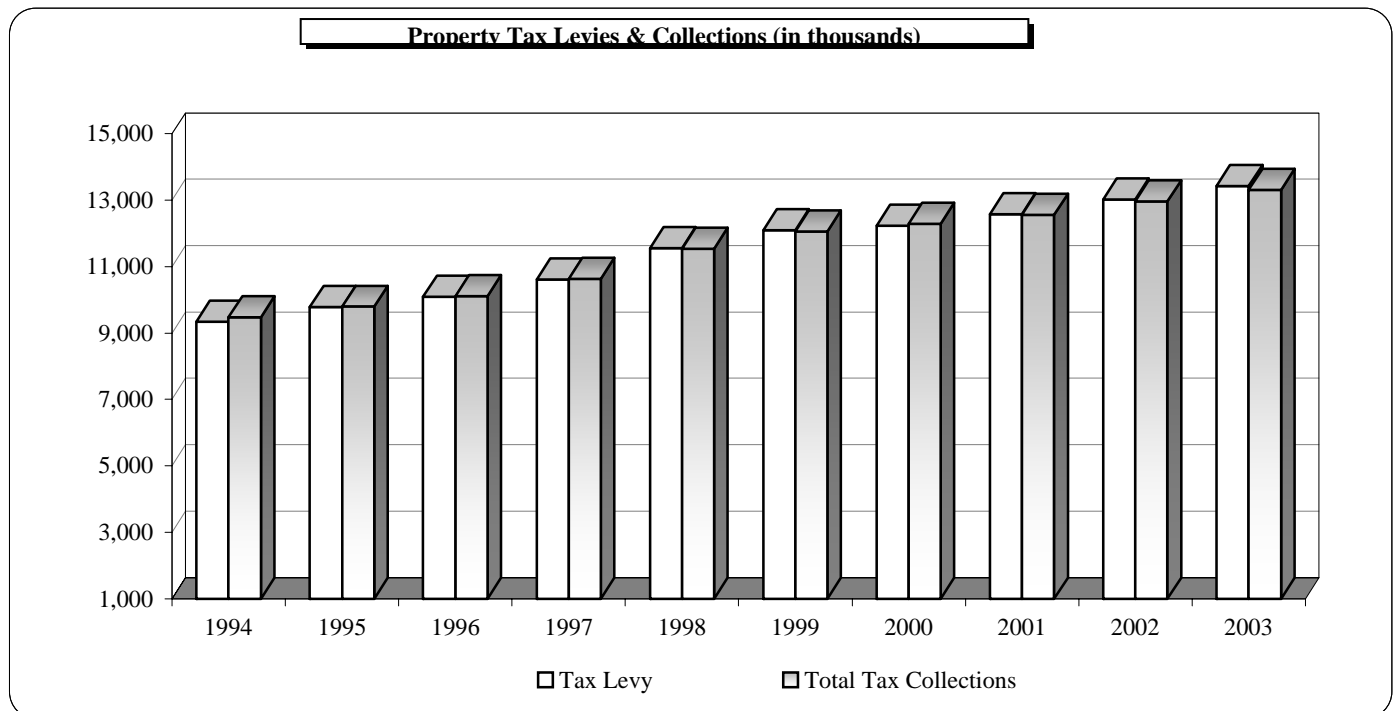


TABLE 6

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY*
LAST TEN FISCAL YEARS**

Fiscal Year	Real Property	Personal Property	Total	Percent Increase (Decrease)
1994	\$ 3,390,251,813	\$ 481,948,378	\$ 3,872,200,191	2
1995	3,545,864,483	516,003,365	4,061,867,848	5
1996	3,670,663,795	554,396,978	4,225,060,773	4
1997	3,838,286,137	614,227,745	4,452,513,882	5
1998	4,255,840,237	764,865,917	5,020,706,154	13
1999	4,897,827,903	801,888,874	5,699,716,777	14
2000	5,366,326,049	865,539,761	6,231,865,810	9
2001	6,115,398,537	1,061,261,507	7,176,660,044	15
2002	6,941,422,915	1,288,207,660	8,229,630,575	15
2003	7,409,495,346	1,181,627,039	8,591,122,385	4

Source: King County Accounting Division

* Real and personal property has been assessed at 100% of the estimated value.

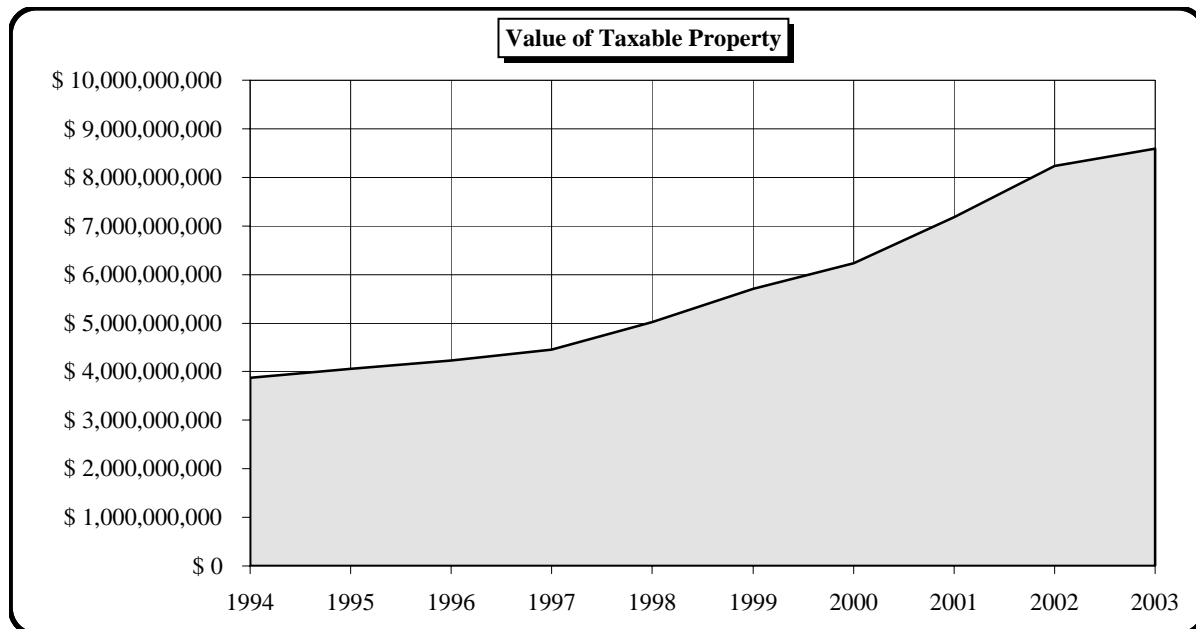


TABLE 7

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN FISCAL YEARS**

Fiscal Year	General Fund	Debt Service	WA State	King County	Port Of Seattle	School District #414	Hospital District #2	King Co. Library	Emer. Medical Service	Total
1994	\$ 1.77	\$ 0.68	\$ 3.40	\$ 2.22	\$ 0.30	\$ 4.44	\$ 0.41	\$ 0.58	\$ 0.25	\$ 14.05
1995	1.74	0.72	3.42	2.25	0.29	3.98	0.42	0.62	0.25	13.69
1996	1.74	0.70	3.50	2.21	0.29	3.98	0.45	0.62	0.25	13.74
1997	1.77	0.62	3.52	2.13	0.28	3.95	0.44	0.62	0.25	13.58
1998	1.75	0.55	3.51	1.85	0.26	3.52	0.43	0.60	-	12.47
1999	1.65	0.48	3.36	1.77	0.24	4.06	0.41	0.59	0.29	12.85
2000	1.59	0.37	3.30	1.69	0.22	4.02	0.41	0.60	0.27	12.47
2001	1.45	0.31	3.15	1.55	0.19	3.53	0.39	0.56	0.25	11.38
2002	1.31	0.29	2.99	1.45	0.19	3.18	0.36	0.53	0.25	10.55
2003	1.29	0.28	2.90	1.35	0.26	3.07	0.34	0.55	0.24	10.28

Source: King County Assessor's Office

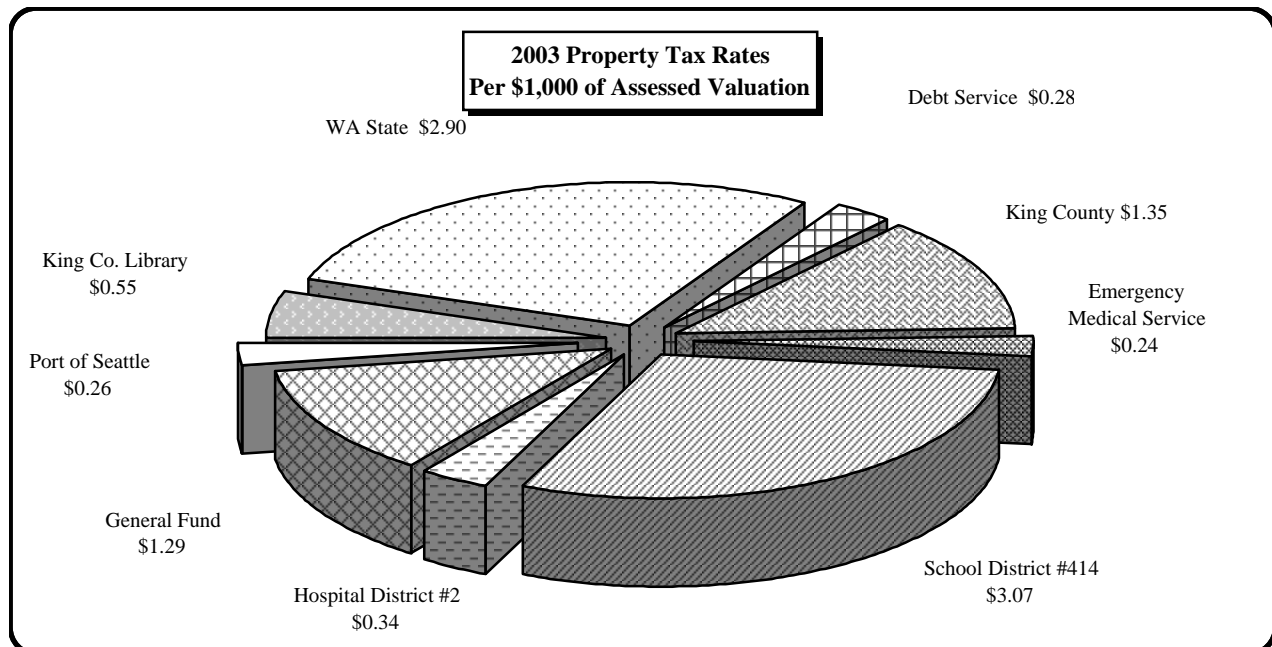


TABLE 8

**PRINCIPAL PROPERTY TAXPAYERS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Name	Type of Business	2003 Assessed Valuation	Percent of total Assessed Value*
Microsoft (includes MSNBC)	Computer Software Company	\$ 1,170,052,474	13.62%
Safeco	Insurance Company	142,815,360	1.66%
PPR Redmond Retail LLC	Property Development	109,122,356	1.27%
Puget Sound Energy	Electric and Gas Utility	102,884,560	1.20%
Archstone Communities Trust	Property Management	102,087,200	1.19%
Nintendo	Import/Dist. Electronic Video Games	62,780,256	0.73%
Verizon	Telephone Utility	58,220,261	0.68%
Eddie Bauer	Manufacturer/Clothing and Equipment	44,994,679	0.52%
Yett Family Partnership LP	Real Estate Rental	41,196,200	0.48%
Aerojet General Corporation	Manufacturing/Engineering	35,507,530	0.41%
TOTAL		\$ 1,869,660,876	21.76%

Source: King County Assessor

* In 2003 the estimated value of real and personal property in the City of Redmond was \$8,591,122,385.

TABLE 9

SPECIAL ASSESSMENTS, BILLING AND COLLECTIONS *
LAST TEN FISCAL YEARS

Fiscal Year	January 1st Assessments Receivable	Additional Assessment	Annual Billings	Annual Collections	% of Collections To Amount Billed	Total Outstanding Assessments
1994	\$8,382,780	\$1,700,000	\$1,633,510	\$2,472,250	151	\$7,610,530
1995	7,610,530	-	1,495,797	1,643,321	110	5,967,209
1996	5,967,209	-	1,472,804	1,590,956	108	4,376,253
1997	4,376,253	-	816,024	932,250	114	3,444,003
1998	3,444,003	2,233,346	752,975	2,020,577	268	3,656,772
1999	3,656,772	2,353,112	735,687	1,046,017	142	4,963,867
2000	4,963,867	-	957,243	1,366,278	143	3,597,589
2001	3,597,589	-	828,079	884,734	107	2,712,855
2002	2,712,855	-	593,011	848,527	143	1,864,328
2003	1,864,328	-	328,046	411,564	125	1,452,764

* This table refers to principal only.

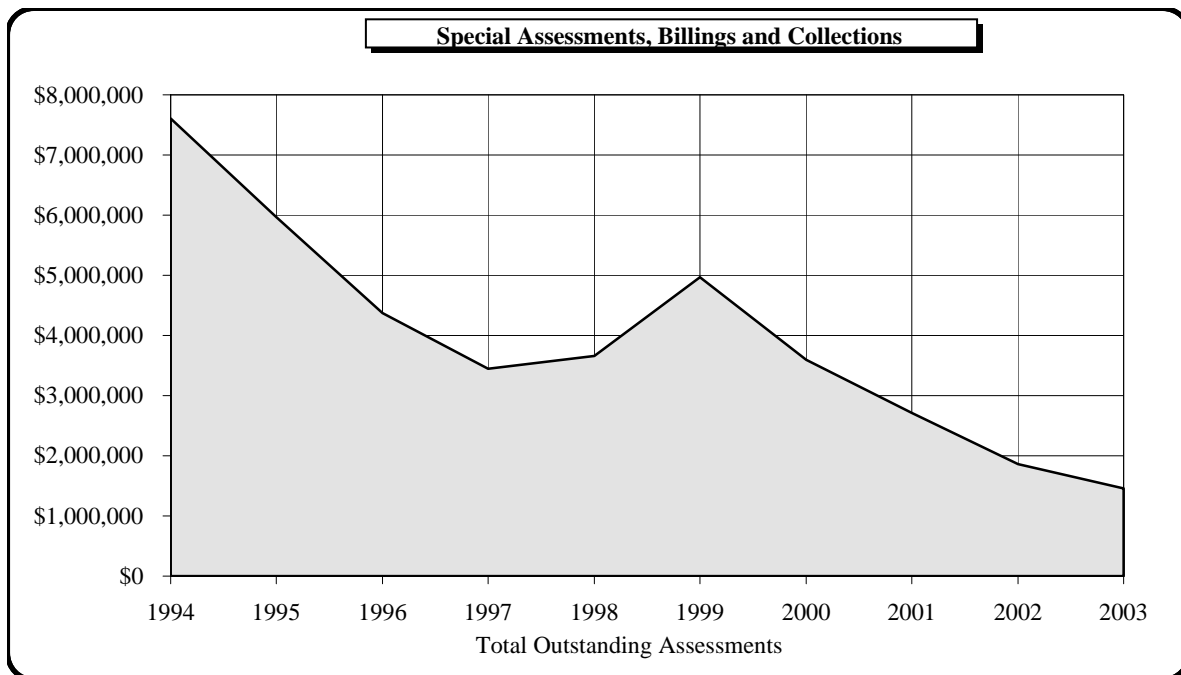


TABLE 10

**RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Assessed Value *	G.O. Bonded Debt	Less Debt Service Fund **	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1994	39,390	\$ 3,782,200,191	\$ 27,290,000	\$ 453,511	\$ 26,836,489	.71	\$ 681
1995	40,030	4,061,867,848	24,805,000	408,233	24,396,767	.60	609
1996	40,805	4,225,060,773	22,590,000	377,064	22,212,936	.53	544
1997	42,230	4,452,513,882	20,465,000	332,204	20,132,796	.45	477
1998	43,399	5,020,706,154	18,270,000	352,699	17,917,301	.36	413
1999	43,610	5,699,716,777	17,275,000	283,813	16,991,187	.30	390
2000	44,020	6,231,865,810	15,315,000	323,536	14,991,464	.24	341
2001	45,490	7,176,660,044	11,875,000	199,908	11,675,092	.16	257
2002	46,040	8,229,630,575	9,635,000	212,914	9,422,086	.11	205
2003	46,480	8,591,122,385	10,933,472	213,364	10,720,108	.12	231

* King County Assessor; includes only taxable property

** Excluding LID Control and LID Guaranty Funds

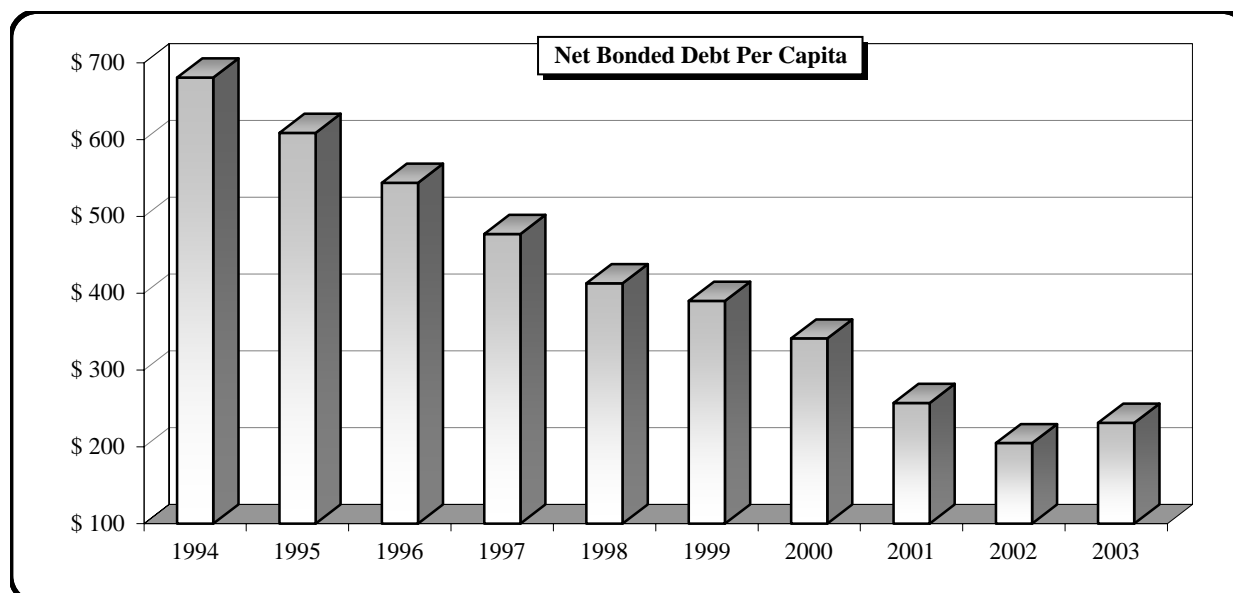


TABLE 11

**COMPUTATION OF LEGAL DEBT MARGIN
AS OF DECEMBER 31, 2003**

	<u>General Capacity</u>		<u>Special Purpose Capacity</u>		<u>Total Capacity</u>
	<u>Councilmanic</u>	<u>Excess Levy</u>	<u>Parks and Open Space</u>	<u>Utility Purposes</u>	
December 31, 2003 Assessed Value:					
\$8,591,122,385					
2.50% of Assessed Value	\$ -	\$ 214,778,060	\$ 214,778,060	\$ 214,778,060	\$ 644,334,180
1.50% of Assessed Value	128,866,836	(128,866,836)	-	-	-
Statutory Debt Limit	128,866,836	85,911,224	214,778,060	214,778,060	644,334,180
Debt Outstanding:					
Bonds	-	7,235,000	3,698,472	-	10,933,472
Contract Payable	-	-	777,951	-	777,951
Total Debt Outstanding	-	7,235,000	4,476,423	-	11,711,423
Less amount available in Debt Service Fund	-	213,364	-	-	213,364
Net Debt Outstanding	-	7,021,636	4,476,423	-	11,498,059
Remaining Debt Capacity	<u>\$ 128,866,836</u>	<u>\$ 78,889,588</u>	<u>\$ 210,301,637</u>	<u>\$ 214,778,060</u>	<u>\$ 632,836,121</u>

* Property assessed at 100% of the estimated value.

TABLE 12

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2003**

Jurisdiction	Net Debt Outstanding	Percentage Applicable To Redmond*	City Share of Debt
Direct Debt:			
City of Redmond	\$ 11,711,423	100.00%	\$ 11,711,423
Overlapping Debt:			
King County	\$ 741,180,718	3.82%	\$ 28,313,103
Port of Seattle	217,285,000	3.82%	8,300,287
School District #405	134,580,000	6.57%	8,841,906
School District #414	209,240,000	29.88%	62,520,912
Hospital District #2	83,645,000	22.16%	18,535,732
Fire District #34	895,000	14.81%	132,550
King County Library	30,985,000	0.83%	257,176
Total Overlapping Debt	\$ 1,417,810,718		\$ 126,901,666
Total Direct and Overlapping Debt	\$ 1,429,522,141		\$ 138,613,089

*Applicable percentage is determined by the ratio of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Redmond.

Sources: King County Finance Office; King County Assessor's Office

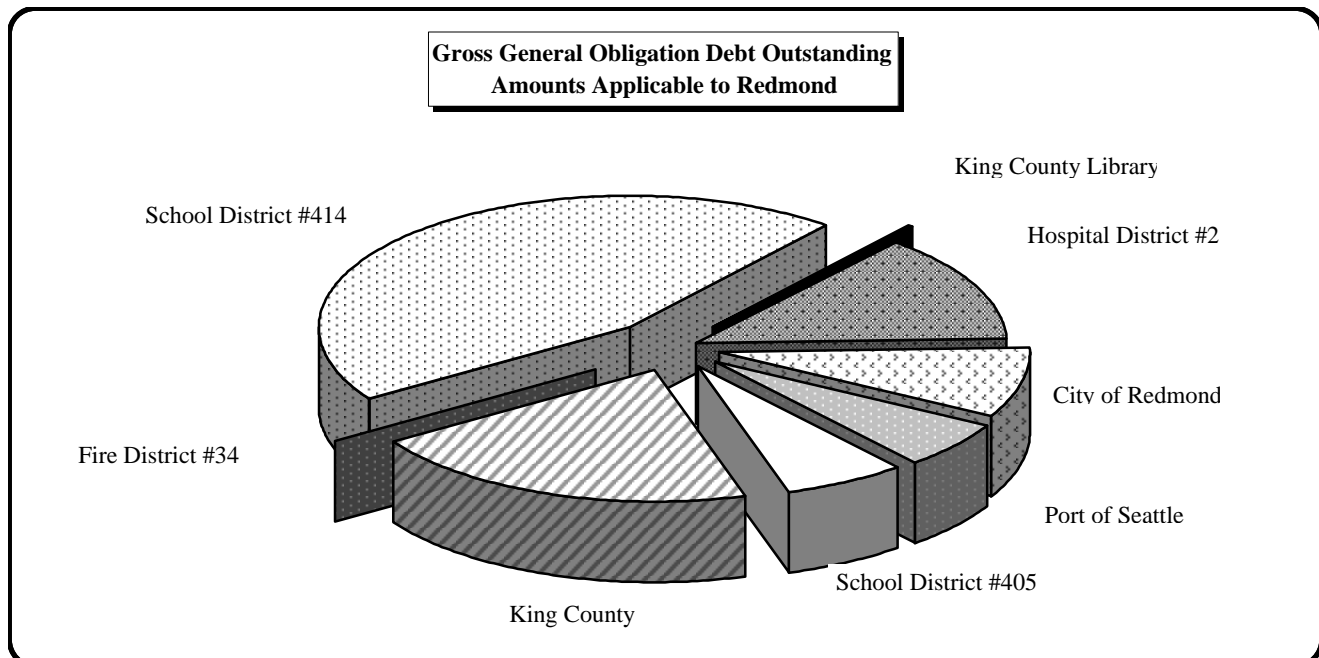


TABLE 13

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures*	Ratio of Debt Service To General Expenditures (Percent)
1994	\$ 2,465,000	\$ 1,488,241	\$ 3,953,241	\$ 33,528,270	11.79
1995	2,440,000	1,441,321	3,881,321	35,099,104	11.06
1996	2,215,000	1,282,088	3,497,088	39,423,219	8.87
1997	2,125,000	1,182,105	3,307,105	41,381,785	8.39
1998	2,195,000	1,078,360	3,273,360	44,133,940	7.42
1999	2,325,000	966,753	3,291,753	45,877,538	7.18
2000	1,960,000	856,408	2,816,408	49,535,982	5.69
2001	2,110,000	736,484	2,846,484	51,096,704	5.57
2002	2,240,000	625,940	2,865,940	51,844,472	5.53
2003	2,400,000	504,905	2,904,905	56,731,686	5.12

* Includes General, Special Revenue, and Debt Service Funds (excluding LID control and LID Guaranty)

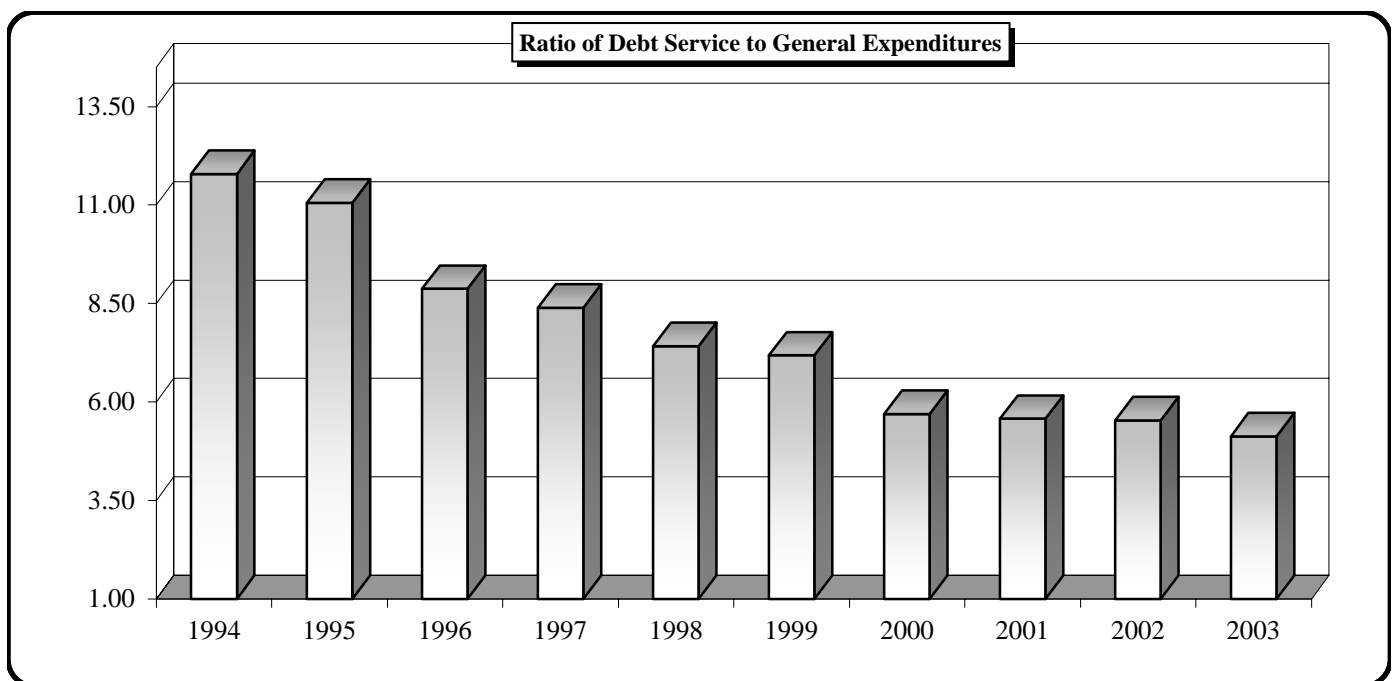


TABLE 14

**WATER AND SEWER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Utility Revenue*	Operating Expenses**	Net Available For Debt Service	Current Principal	Interest	Total	Current Coverage Ratio ***
1994	\$ 11,646,805	\$ 8,708,778	\$ 2,938,027	\$ 275,000	\$ 302,589	\$ 577,589	5.09
1995	12,451,490	9,966,073	2,485,417	300,000	281,339	581,339	4.28
1996	13,604,891	10,272,191	3,332,700	240,000	257,799	497,799	6.69
1997	13,714,816	10,887,108	2,827,708	170,000	240,014	410,014	6.90
1998	15,023,229	11,759,671	3,263,558	340,000	233,469	573,469	5.69
1999	15,394,848	13,610,344	1,784,504	350,000	219,529	569,529	3.13
2000	16,432,448	14,194,689	2,237,759	365,000	204,479	569,479	3.93
2001	17,352,101	14,067,650	3,284,451	385,000	188,510	573,510	5.73
2002	19,605,245	15,955,300	3,649,945	400,000	170,800	570,800	6.39
2003	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.						N/A

* Utility Revenue includes both operating and investment income revenue.

** Excludes depreciation and amortization, includes operating transfers out.

*** The City is required to maintain on deposit in the reserve account of the Water/Wastewater Fund an amount equal to the average annual debt service on the 1993 Refunding Bond Issue. In addition, revenue collections less operating and maintenance expenses must be at least 1.25 times the annual debt service on all outstanding revenue bonds.

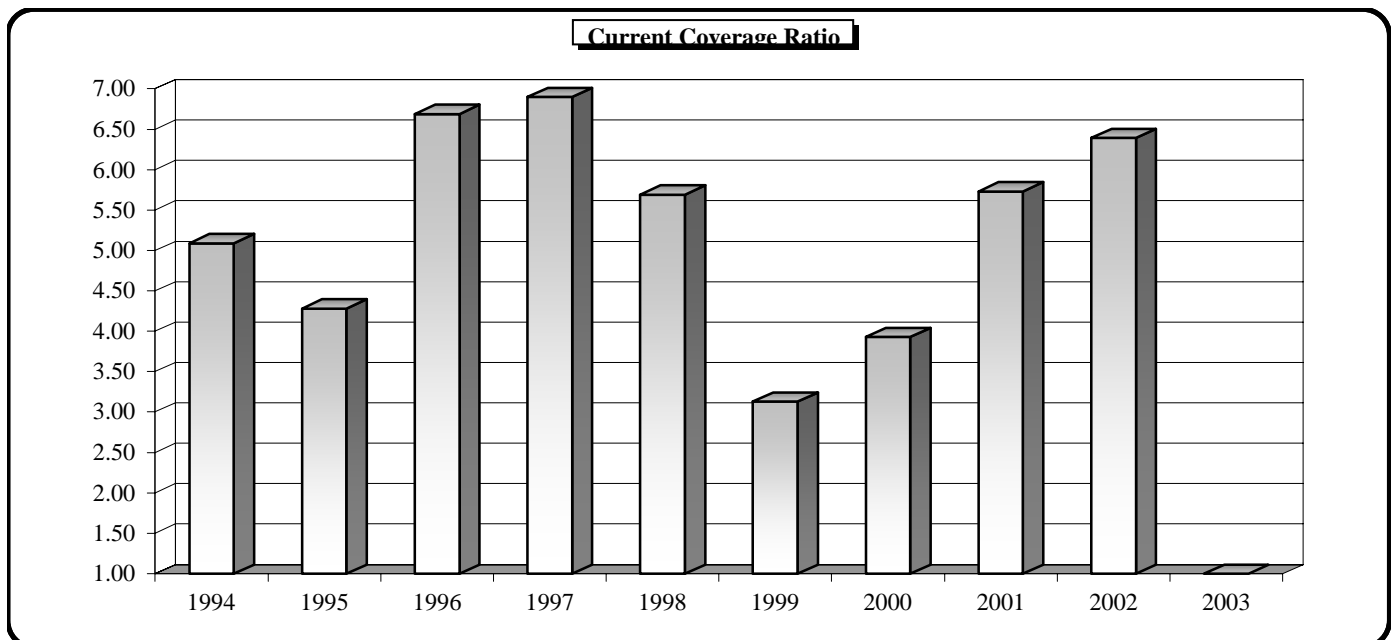


TABLE 15

**DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population*		School Enrollment**	Number of Housing Units	% Rate of Unemployment***	Income Per Capita****
	Number	Percent Change				
1994	39,390	(2)	9,815	16,380	3.8	-
1995	40,030	2	9,248	16,653	3.5	\$ 32,883
1996	40,805	2	9,393	16,984	2.8	-
1997	42,230	4	9,266	17,886	2.3	\$ 35,009
1998	43,399	3	9,647	18,509	2.1	-
1999	43,610	0.5	9,937	19,183	2.1	\$ 39,880
2000	44,020	1	7,489	19,504	2.3	\$ 38,191
2001	45,490	3	7,385	20,368	3.5	\$ 38,407
2002	46,040	1	7,401	20,654	4.5	-
2003	46,480	1	7,594	21,974	6.0	-

* State of Washington, Office of Financial Management.

** Lake Washington School District total as of October; includes schools with Redmond addresses, although some are located in unincorporated King County. Statistics are not available to determine the number of students from the Redmond/King County populace. 2000 decrease reflects schools formerly in Redmond but now in newly incorporated City of Sammamish.

*** State of Washington, Department of Employment Security (Figures are prorated on Redmond's relationship to the County's unemployment rate).

**** US Census Bureau, 1990 and 2000 Census of Population and Housing; US Bureau of Economic Analysis. Data available only for years listed.

TABLE 16

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

Fiscal Year	Commercial Construction*		Residential Construction*		Bank Deposits** (in thousands)	Total Property Value***
	Number of Buildings	Value (in thousands)	Number Of Units	Value (in thousands)		
1994	15	\$ 117,044	326	\$ 41,932	\$ 501,921	\$ 4,061,867,848
1995	16	59,093	449	34,621	523,368	4,061,867,848
1996	24	208,890	575	56,975	536,825	4,225,060,773
1997	23	123,760	457	64,480	543,307	4,452,513,882
1998	25	139,247	361	58,834	535,332	5,020,706,154
1999	31	173,745	215	34,939	602,650	5,699,716,777
2000	10	136,327	127	24,546	695,027	6,231,865,810
2001	21	52,243	738	28,455	760,143	7,176,660,044
2002	16	75,297	470	64,798	810,799	8,229,630,575
2003	4	24,487	441	87,142	1,070,306	8,591,122,385

* City of Redmond Public Works Department

** Bank branches within the City of Redmond. Figure includes deposits from Commercial and Savings and Loan Banks.

*** King County Assessor's Office.

TABLE 17

2003 SALARY RANGES OF PRINCIPAL OFFICIALS

Position	Minimum	Maximum	Amount of Surety Bonds
MAYOR	\$ 82,500	\$ 82,500	\$ 50,000
COUNCIL MEMBERS (Each)	9,600	9,600	*
ASSISTANT TO THE MAYOR	84,348	115,092	*
FINANCE DIRECTOR	87,792	123,552	50,000
FIRE CHIEF	89,976	121,140	*
PARKS AND RECREATION DIRECTOR	87,192	115,404	*
HUMAN RESOURCES DIRECTOR	79,032	111,540	*
PLANNING DIRECTOR	84,804	112,296	*
POLICE CHIEF	89,976	121,140	5,000
PUBLIC WORKS DIRECTOR	87,792	123,552	*

* Included in blanket Fidelity Bond for \$500,000.

TABLE 18

**SCHEDULE OF INSURANCE IN FORCE
AS OF DECEMBER 31, 2003**

Type of Insurance	Name of Company	Liability Limits
PROPERTY		
Blanket Building and Personal Property	St. Paul Fire & Marine	\$20,000,000 limit, excess of \$100,000 Self-insured Retention (SIR), including earthquake with a \$20,000,000 limit and deductible of 2% of value at risk. Flood insurance is self-insured.
LIABILITY		
General, Automobile	St. Paul Fire & Marine	\$1,000,000 limit, excess of \$100,000 SIR
Law Enforcement	St. Paul Fire & Marine	\$1,000,000 limit, excess of \$100,000 SIR
Errors and Omission (E & O)	St. Paul Fire & Marine	\$1,000,000 limit, excess of \$100,000 SIR
Underground Storage Tank (UST) Pollution Liability (8 tanks)	Zurich	\$1,000,000 limit, excess of \$5,000 deductible
Employment Practices Liability	St. Paul Fire & Marine	\$5,000,000 limit, excess of \$100,000 SIR
EXCESS LIABILITY		
General, Automobile	St. Paul Fire & Marine	\$20,000,000 limit, excess of \$1,000,000
Law Enforcement	St. Paul Fire & Marine	\$20,000,000 limit, excess of \$1,000,000
Errors and Omission (E & O)	St. Paul Fire & Marine	\$20,000,000 limit, excess of \$1,000,000 Excludes Employment Practices Liability
CRIME		
Blanket Fidelity Bond - Employee Dishonesty (for all employees except certain key employees covered by individual bonds)	Hartford	\$1,000,000 limit, excess of \$5,000 deductible
EXCESS WORKER'S COMPENSATION		
Worker's Compensation	Midwest Employers	Statutory, excess of \$300,000 SIR

Source: City of Redmond Risk Management Office

TABLE 19

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2003**

DATE OF INCORPORATION	December 31, 1912
FORM OF GOVERNMENT	Mayor - Council
TYPE OF GOVERNMENT	Non-Charter, code City
AREA	16.64 Square Miles
POPULATION	46,480
NUMBER OF CITY EMPLOYEES	580.5 (Full-Time Equivalents)
FIRE PROTECTION	
Number of Uniformed Personnel	126
Number of Stations	6
Number of Emergency Alarms	11,761
POLICE PROTECTION	
Number of Police Officers	76
Number of Calls for Service	22,198
UTILITY SERVICES	
Residential Units Served	10,985
Commercial Units Served	1,380
Water:	
Storage Capacity	31,836,000 gallons
Average Daily Demand	6,686,881 gallons per day
Average Monthly Home Use	1,100 Cubic Feet
Sources	5 wells: Connections to Bellevue Water and to Seattle Regional Pipeline
Miles of Main	280 Miles
Sewer (does not include UPDs):	
Number of Manholes	6,743
Miles of Main	216 Miles
Number of Pumplift Stations	15
Sewage Treatment	Provided by Municipality of Metropolitan Seattle (METRO)
Storm:	
Number of Manholes/Catch Basins	8552
Miles of Pipe	164.02 Miles
Oil Water Separators	24

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2003
(continued)**

PARKS

Number of Parks	28 Developed 16 Undeveloped
Number of Acres (includes 803 acres in the Watershed Preserve)	1,129.03 Developed 189.45 Undeveloped
Miles of Trails	23.55 Developed 26.30 Undeveloped

TRANSPORTATION

Miles of Paved Roads	130
Traffic Signals	78

PUBLIC SCHOOLS

Redmond is served primarily by Lake Washington School District #414.
A small percentage of students attend Bellevue School District #405.

Number of Schools in the City Limits:

Elementary	6
Junior High	2
High School	1

EMPLOYMENT IN CITY LIMITS*

	58,654
Number of Business Licenses Issued*	4,716

2003 TOP TEN EMPLOYERS

<u>Business</u>	<u>Number of Employees (in Redmond)</u>
Microsoft Corporation (includes MSNBC)	22,791
AT&T Wireless Services, Inc.	2,993
Safeco Insurance Company	2,406
Genie Industries	1,692
Volt Technical Services	1,257
Group Health Cooperative	1,164
Honeywell International, Inc.	891
Eddie Bauer, Inc.	826
Nintendo of America, Inc.	802
Medtronic Physio-Control Corporation	713

* City of Redmond, Finance Dept., Business License Division